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BUDGET SUMMARY

National Insurance surcharge rate cut

NATIONAL INSURANCE: Surcharge rate down from 3½ to 2½ per cent from August 2. Extra ½ percentage point cut also from August to April 1983. Public sector *cash limits reduced* accordingly. Cost £1bn in 1982-1983, full year £1.3bn.

CONSTRUCTION INDUSTRY: Cost of package £170m in 1982-83, main stimulus being up to £90m rise in home improvement grants to end-1982. Also, more local authority spending on home insulation, first-year capital allowances on homes built for rent, extension of industrial building allowances and of small workshop scheme, and rise in derelict land grant.

STAMP DUTY: Exemption limit up by £5,000 to £25,000 on house sales as part of construction industry package. Cost £70m in 1982-83.

ENERGY COSTS: More than £150m of relief for large industrial users of electricity, gas and foundry coke. Extension of grants for converting boilers to coal. External financing limit of electricity industry raised £90m in 1982-83. Cost of freezing industrial gas contracts to end-1982 £30m. Freeze on foundry coke prices extended to end-year; cost *£7m. NCB EFL* to be raised.

SMALL BUSINESSES. VAT registration threshold up from £15,000 to £17,000. Relief from VAT for services supplied before registration. Profit limits for 40 per cent "small companies" rate of corporation tax: lower limit raised £10,000 to £90,000; upper limit raised £25,000 to £225,000. Annual limit for business-start-up scheme raised from £10,000 to £20,000. Loan guarantee scheme: first year (June 1981-May 1982) allocation raised from £50m to £150m; second year (to May 1983) allocation to be £150m. Annual limit on acquisition of shares by employees in profit-sharing schemes raised from £1,000 to £1,250.

INDUSTRIAL INNOVATION: Assistance on space technology and production engineering.

Income tax thresholds up

INCOME TAX: All allowances and thresholds to rise by 14 per cent, 2 points more than 1981 inflation. Single allowance to rise by £190 to £1,565 and married allowance by £300 to £2,445.

FUEL DUTY: Petrol up 9p a gallon or 2p a litre. Derv up 7p a gallon or 1.5p a litre, aviation gasoline duty down 32p a gallon or 7p a litre. All from 6 pm last night and including VAT. Yield £495m in 1982-83, and in full year.

VEHICLE EXCISE DUTY: Up by about 12 per cent from today. Car duty up from £70 to £80. Light commercial vans—duty to be brought more in line with that for cars. Lorries over [illegible] tonnes unladen—duty up 25 per [illegible] Yield 225m in 1982-83 and [illegible]ll year.

[illegible]K: Duty up *from today* [illegible]g (including VAT) about [illegible] pint of beer. 10p on bottle [illegible], 13p on bottle of sherry, [illegible] on bottle of spirits. Yield £[illegible] in 1982-83 and £245m in full year.

TOBACCO: Duty up from midnight March 11, adding (including VAT) 5p to 20 cigarettes, and 6p to 25 grams of pipe tobacco. Yield £165*m* in 1982-83 and £170m in a full year.

BETTING AND GAMING: Football pool duty up from 40 per cent to 42½ per cent; casino duty up about a third (both from April 1). Yield £25m in 1982-83, full year £30m.

CAPITAL TAXES: Threshold for capital transfer tax up £5,000 to £55,000. New scale of rate bands; top *rate* at £2.5*m*. Threshold and rate bands to be indexed. New legislation in Finance Bill on settled property. Capital gains tax: Gains (including those by companies) to be calculated after taking account of inflation. No relief for first year of ownership. Exempt slice up from £3,000 to £5,000; indexation proposed.

SOCIAL SECURITY: Most benefits to rise from November—including 2 per cent because last year's increase failed to cover price rises in year to November 1981. Pensions: up £3.25 to £32.85 a week for single person and £5.20 to £52.55 for married couple. Unemployment benefit up £2.50 to £25 a week for single person, and £4.05 to £40.45 for married couple. Child benefit up 60p to £5.85 a week. Cost about £3bn in full year.

HELP FOR DISABLED: Mobility allowance up £1.80 to £18.30 a week from November, and will not be taxed from April 6. Extended VAT reliefs for disabled and associated charities.

CHARITIES: Capital Transfer Tax exemption for gifts up £50,000 to £250,000. Deferred liability to Development Land Tax removed (both from yesterday). Stamp duties on transfers abolished from March 22.

TAX AVOIDANCE Reduced tax relief for large golden handshakes: excess of sums over £75,000 fully taxable. Measures to prevent tax loss through abuse of allowances in international leasing, film distribution and ship chartering. Interest on bank loans escaping corporation tax to be taxed. Measures to stop banks lending overseas at tax relieved low rates. Provisions to stop tax *loss to be extended* to certain building society bonds.

TAX HAVENS—No legislation on these or on international tax avoidance, but consultations to continue.

Indexed gilts for all

BORROWING: Indexed gilts—no longer restricted to pension funds. New £750m issue of 2 per cent index-linked Treasury Stock 1988. National Savings—23rd issue withdrawn today. Target for 1982-83 £3bn.

NATIONALISED INDUSTRIES: British Telecom authorised to introduce its "Buzby" bond in the autumn, with initial sale of up to £150m.

OIL COMPANIES: Abolition of Supplementary Petroleum Duty, introduced in previous budget. Petroleum Revenue Tax raised from 70 to 75 per cent, with payments to be speeded up. Net cost £70m in 1983-84.

OIL REVENUES: Government revenues from North Sea in 1981-82 expected to be £6.43bn, over £500m more than foreseen a year ago. Drop to £6.2bn in 1982-83, £500m less than expected a year ago. 1983-84 revenue estimate nearly £2bn lower than expected last year.

MONEY SUPPLY: Target range for £M3, with PSL2, and £M1 for 1982-83 is 8-12 per cent—higher than suggested last year but designed to maintain pressure to achieve further fall in inflation.

New target range consistent with growth of money GDP at *10 per cent a year.*

PUBLIC SECTOR BORROWING: Public sector borrowing requirement set at £9.5bn for 1982-83, equivalent to 3½ per cent of gross domestic product, and about £1bn below expected outturn for current financial year. Net PSBR cost of all Budget measures, on indexed base and allowing for direct *and indirect effects*, estimated at £1.3bn in 1982-83.

Chancellor envisaged a further decline in PSBR over the following two years to 2 per cent of GDP.

PUBLIC EXPENDITURE: Budget increases in 1982-83 £350m. Planning total nearly £300m lower than in White Paper, at £114.6bn. 1983-84 and 1984-85 *totals some £700m* lower, at £120.4bn and £127.6bn respectively. Estimated outturn for 1981-82 £900m lower at £105.2bn. Public expenditure to decline from 45 per cent of GDP in 1981-82 to 44½ per cent in 1982-83, 42½ per cent in 1983-1984 and 41 per cent in 1984-85.

PRICE EFFECTS: Budget will raise retail price index by 0.8 *per cent on non-indexed* basis and minus 0.1 per cent on indexed basis.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			Minet	168	− 6
Air Call	260	+ 20	Nimslo	202	− 26
Bell (A.)	174	+ 6	Plessey	365	− 5
Distillers	178	+ 5	Scholes (G. H.)	285	− 15
Eurotherm	347	+ 7	Sothebys	325	− 13
Ferranti	660	+ 15	LASMO	280	− 10
Fisher (A.)	38½	+ 4	Anglo Amer Crpo	455	− 40
Imperial Group	96	+ 4	Anglo Am Inv Tst	£29½	− 3¼
Scott (David)	24	+ 2½	Ashton Mining	54	− 6
Whitbread A	104	+ 6	De Beers Dfd	244	− 48
			Gencor	690	− 22
FALLS			Gld Mns Kalgoorlie	160	− 15
Treas 14pc '98-01	£102	− 1¼	Impala Plat	215	− 20
BTR	344	− 6	Minorco	290	− 53
Barratt Devs	272	− 5	RTZ	412	− 11
Beecham	237	− 5	St Helena	£11½	− 1½
Lloyds Bank	436	− 10	Vaal Reefs	£21½	− 1¾
Martin (R. P.)	330	− 13	Vogels	90	− 30
Midland Bank	343	− 7	Western Mining	200	− 8

INCOME TAX THRESHOLDS RAISED ● JOB CREATION MOVES

Chancellor acts to aid industry

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

TAX CUTS and other measures announced by Sir Geoffrey Howe in his Budget speech yesterday, and worth £2.5bn in a full year, are to be concentrated on helping industry, promoting new investment and creating jobs.

They were unveiled against a background of improved forecasts for growth and inflation.

To assist long-term investment Sir Geoffrey announced a number of capital market reforms, including full indexation of Capital Gains Tax and a new index-linked gilt for the ordinary saver.

Next year, he said nationalised industries new investment would be £7.5bn, some 26 per cent more than the outturn expected for 1981-82. This, with other measures would give a 14 per cent boost to the construction industry.

The real burden of income tax is to be reduced somewhat by lifting thresholds by 2 per centage points more than the rate of inflation. This will not be enough, however, to compensate for the increase in the burden of income tax last March.

Sir Geoffrey said that the total effect of all his measures would be to raise public borrowing next year by £1.3bn compared with what it would have been.

As expected, he emphasised that the Government remained dedicated to cutting public borrowing and interest rates.

He is therefore aiming at a public-sector borrowing requirement for next year of £9.5bn, which is £1bn less than expected borrowing for the current financial year in absolute terms, and sharply smaller as a proportion of national output.

He has been able to achieve the double objective of cutting taxes and lowering the public borrowing target, partly because the tax measures are modest and partly because the Treasury has become more optimistic about prospects for economic growth this year.

It is now predicting that output in 1982 will be 1½ per cent higher than the previous year, against its prediction in December of only 1 per cent growth.

The Treasury is also taking a significantly rosier view of the prospects for inflation.

It expects this to be reduced to an annual rate of 9 per cent by Christmas, and 7½ per cent by the end of 1983, around the time of the next General Election.

The full-year cost of Sir Geoffrey's tax measures is £2.5bn, in addition to the £1bn which would have been needed to raise income tax thresholds and excise duties by the rate of inflation.

He has decided to give an extra £270m to individuals by raising income tax thresholds by 14 per cent and increasing excise duties by rather less than the 12 per cent rate of inflation.

The major thrust of his strategy is to lower industry's costs and promote investment and growth. The largest measure is a cut in the employers' National Insurance surcharge from 3½ per cent to 2½ per cent at a net cost of £640m in a full year.

An extra ½ point cut from August to April 1983 will ensure that industry gets the full relief in the current year.

He announced a series of measures designed to reduce the cost of industry's supplies of electricity, gas and coal, and to increase grants for conversion of oil-fired boilers and other equipment to use coal.

Another important proposal is that Capital Gains Tax be levied in future only on gains in value of assets in excess of the inflation rate. The thresholds for different rates of Capital Gains Ta are also to be indexed.

General indexation of the tax is expected to cost about £85m in a full year. Taken with various other measures to assist small businesses and to encourage employees to buy shares in the companies they work for, the Chancellor's proposals represent a consistent effort to revitalise the equity market.

As a counterpart to this, index-linked Government securities are to be made available to the general public instead of being restricted to pension funds as at present. An index-linked gilt has been launched in addition to the three issued in the last 12 months.

A £150m British Telecom bond, linked to the corporation's profits, is to be issued in the autumn. This is intended partly as an attractive instrument to savers, but it fits in with an important theme of he Budget, be need to improve discipline and competitiveness in the public sector.

Mr Geoffrey spent the earlier part of his speech discussing the "deep concern" which he believed was shared by everyone in the Commons about the rising unemployment total, now eight times higher than it was 20 years ago.

He rejected all ideas of trying to tackle the problem by a major reflation of demand. This had been tried over and over again since the war, but unemployment had risen persistently from cycle to cycle, he told MPs.

The main thrust of his policies was, therefore, to help industry to expand once more by reducing its costs and framing policies which would help interest rates to *be cut.*

Moreover, trade unions and employers needed to co-operate in moderating wage increases so that the gap between benefits paid

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THE INCOME TAX CHANGES			
Income £	Old tax £	New tax £	Tax cut £
Single person			
5,000	1,087	1,030	57
10,000	2,587	2,530	57
16,000	4,794	4,494	300
20,000	6,688	6,261	427
25,000	9,256	8,727	529
30,000	12,050	11,384	666
Married couple			
5,000	856	766	90
10,000	2,356	2,266	90
16,000	4,447	4,142	305
20,000	6,302	5,865	438
25,000	8,833	8,287	545
30,000	11,588	10,900	688

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Tories seem united in supporting strategy

BY PETER RIDDELL, POLITICAL EDITOR

ALMOST ALL Tory MPs received the Budget warmly. Sir Geoffrey Howe appeared to have united the party behind his economic strategy and averted any significant backbench rebellion.

The immediate response of most Tories was that Sir Geoffrey had skilfully judged both the overall balance and the detailed measures to give something for everyone. They believe that the proposals, coupled with the expected pick-up in the economy and fall in interest rates, would help confidence and so boost the Tory party's electoral prospects.

In particular Tory Members felt that the Budget, and especially measures to help Scotland, would improve the chances of the Tory candidate in the Glasgow Hillhead by-election a fortnight tomorrow.

Indeed, Sir Geoffrey gleefully pointed out, specifically referring to Hillhead, that the percentage increase in tax on claret, famed as a favourite tipple of Mr Roy Jenkins, was more than the rise in duty on whisky.

Social Democratic Party leaders feel that the Budget puts them in a dilemma, since some of the measures were proposed by them, though they favoured larger-scale expansion.

One prominent SDP member said that the Budget was rather like a "Christmas tree with a lot of glitter but not much there." Mrs Shirley Williams called it "cosmetic."

Mr Michael Foot, the Labour Leader, immediately attacked the Budget as wholly insufficient to deal with the depths of the recession and 3m unemployed. Labour MPs were pointing out that the Government itself was assuming a rise in unemployment in 1982 to 1983 compared with the current financial year.

Within the Government, most Ministers appear broadly pleased with the Budget, though some favoured [illegible] greater expansion.

Department of [illegible] Ministers, in particular [illegible] that they got most [illegible] they demanded and the [illegible] thirds of the help was going to industry, via a reduction in energy costs, special schemes, and a boost to building activity.

Ministers in a number of spending Departments feel that while last year the Treasury presented a closed door there was at least a half-opened door to their proposals this year.

Sir Geoffrey was apparently enthusiastically received at a private meeting of the Tory backbench Finance Committee. Sir William Clark, the committee's chairman, said the Budget was "first-class, since there is something in it for both sides of the party."

Backbenchers point out that there are measures for a wide variety of interest groups, including various sections of industry, pensioners, personal taxpayers, as well as the strong group within the Tory party concerned about capital taxation.

The Chancellor's measures there, in particular the capital gains tax moves, were welcomed.

The dozen hard-core critics of the Government, the so-called "Wets," who abstained against the public-spending measures last December, met briefly last night.

The majority view was apparently that since the measures were broadly neutral and reflected the need to deal with unemployment, these MPs would not vote against the Budget measures.

They do, however, regard the Budget as insufficiently expansionary, particularly since unemployment is still expected to rise in the rest of 1982.

A major revolt now looks highly unlikely, and only two of the "Wets" at the meeting were reported to have been considering abstaining. Mr Hugh Dykes, MP for Harrow East, was apparently considering what to do.

SURVEY OF CITY AND INDUSTRY

A survey of what industry and the City think of the Budget and the economic outlook has been commissioned by the Financial Times from Marplan. The result will appear in Saturday's Financial Times.

Money-supply target raised

BY DAVID MARSH

THE GOVERNMENT has moved to a more pragmatic medium-term financial strategy by significantly raising its money-supply growth target for the next financial year and widening the range of monetary aggregates used in official policy.

The Treasury has also effectively abandoned the strategy announced in the 1980 Budget, and opposed by the Bank of England, of setting monetary targets for more than a year ahead.

Sir Geoffrey Howe announced yesterday that the money-*supply growth target for 1982-83* would be 8 to 12 per cent, consistent with a 10 per cent rise in money gross domestic product or total spending in the next financial year.

This is three percentage points higher than the 5 to 9 per cent monetary target for 1982-83 originally set in the Government strategy two years ago, *re-stated in last year's Budget.*

Sir Geoffrey has relaxed earlier projections for the public-sector borrowing requirement in future years as a result of higher than planned Government spending.

PSBR next year is expected to be 3.5 per cent of GDP in 1982-83, or £9.5bn, against the projection in 1980 of 2.25 per cent, and last year's Budget forecast of 3.25 per cent.

The 1983-84 PSBR is projected at 2.75 per cent of GDP, or £8.5bn, well above the plan last year of 2 per cent.

The Government has also allowed itself less leeway for a tax-cutting Budget before the next General Election. The 1983-1984 implied fiscal adjustment—the Treasury's room to cut taxes—has been reduced to only £500m from the previous £2bn.

In action designed to increase the Government's flexibility:—

● Sir Geoffrey announced that the 1982-83 money supply target would apply not only to sterling M3, the broad measure which has been used as main indicator up to now, but also *to two additional aggregates.*

These are M1, the narrow measure (notes and coin plus easily withdrawable deposits), and PSL2, the broad measure of public-sector liquidity, which includes sterling M3 plus building society deposits, national savings and money market instruments.

These two indicators have *anyway become more widely* used by the Government after the distortions which have helped push sterling M3 beyond official targets in the past two years.

The new targets compare with actual increases in the past 12 months of 14.5 per cent for sterling M3, 12 per cent for PSL2 and 8.5 per cent for M1.

● *The Treasury has given* monetary-growth ranges for future financial years of 7 to 11 per cent in 1983-84 and 6 to 10 per cent in 1984-85. But these are only indicative.

Sir Geoffrey said in the Budget speech: "Targets for the years after 1982-83 will be set nearer the time."

● He made no reference yesterday, unlike previous years, to the need to "claw back" excess money-supply growth that has already occurred. He has turned his back on the purist monetary theory that previous over-shooting stores up future inflation.

Sir Geoffrey underlined that raising the monetary target for 1982-83 "does not imply any relaxation of purpose."

The Government still had no target for the exchange rate. But the value of the pound would continue to be taken into account in maintaining a monetary environment "conducive to the reduction of inflation," he said.

Increases in spending compared with previous levels *are* reflected in the Treasury's admission that general government spending in cash terms will be £4.5bn higher in 1982-83 than projected last year, and £5.5bn higher in 1983-84. This will be partly offset by higher receipts in both years.

Public spending as a proportion of GDP is expected to fall to 41 per cent *in* 1984-85 *from* 45 per cent in 1981-82, and 44.5 per cent in 1982-83.

Interest rates fall predicted

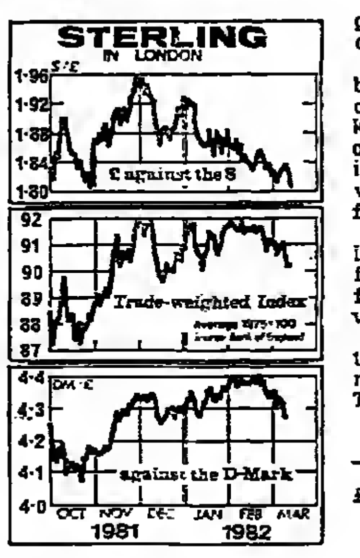
BY JOHN MOORE, CITY CORRESPONDENT

FALLS IN interest rates, hectic trading in the UK gilt edged market, and rises in equity share prices were predicted by the City of London last night after Sir Geoffrey Howe's budget statement.

Stock brokers, dealers and market makers agreed that the Budget was fairly "neutral" with few surprises.

Sir Nicholas Goodison, chairman of the Stock Exchange, said last night that the Chancellor of the Exchequer "has made an honest attempt to create a successful framework for industry and commerce." As a consequence of the budget Sir Nicholas felt "the outlook for interest rates is better."

A cut in mortage rates from 15 per cent to about 13½ per cent now looks certain. The building societies will be relieved that the Government's National Savings target for 1982-83 is being reduced to £3bn from £3½bn in the current year. The final rate structure will depend on how the clearing banks react today to the Chancellor's package and, in particular, how they pitch their own mortgage rates.



Gilt edged dealers and brokers were predicting a hectic opening to the gilt edged market today following the removal of restrictions on purchasing index linked gilt stock, previously open only to pension funds.

With the possibility of new index linked stock attracting foreign buyers some dealers felt the new interest could provide support for sterling.

Investors will be examining the merits of the new Government index linked 2 per cent Treasury Stock 1988, for which

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£ in New York

—	Mar. 8	previous
Spot	$1.8060-8070	$1.8270-8300
1 month	0.10-0.15 pm	0.10-0.15 pm
3 months	0.45-0.51 pm	0.44-0.49 pm
12 months	1.95-2.05 pm	1.95-2.05 pm

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An international research body is at risk because its founders have fallen out, writes **David Buchan** from Vienna

Detente's offspring catches cold from East-West chill

A TEN-YEAR-OLD child of detente is ailing in the chill minds of East-West tensions. The International Institute for Applied Systems Analysis — a computer-based research organisation housed in a spectacular Hapsburg hunting lodge outside Vienna — is in financial jeopardy because its founding parents, the U.S. and Soviet Union, have fallen out.

The threat comes from the Reagan Administration which sees no reason to fund an institute which some in Washington believe passes on valuable know-how to the East. Their belief has been reinforced by a recent Soviet spy incident at the institute.

The odds are that IIASA, which has a pool of more than 100 scientists, will survive its present crisis, but in a different form. It will probably have to become less dependent on contributions from its two superpower members — even Britain is showing signs of quibbling about its dues — and become more international by taking in more member countries.

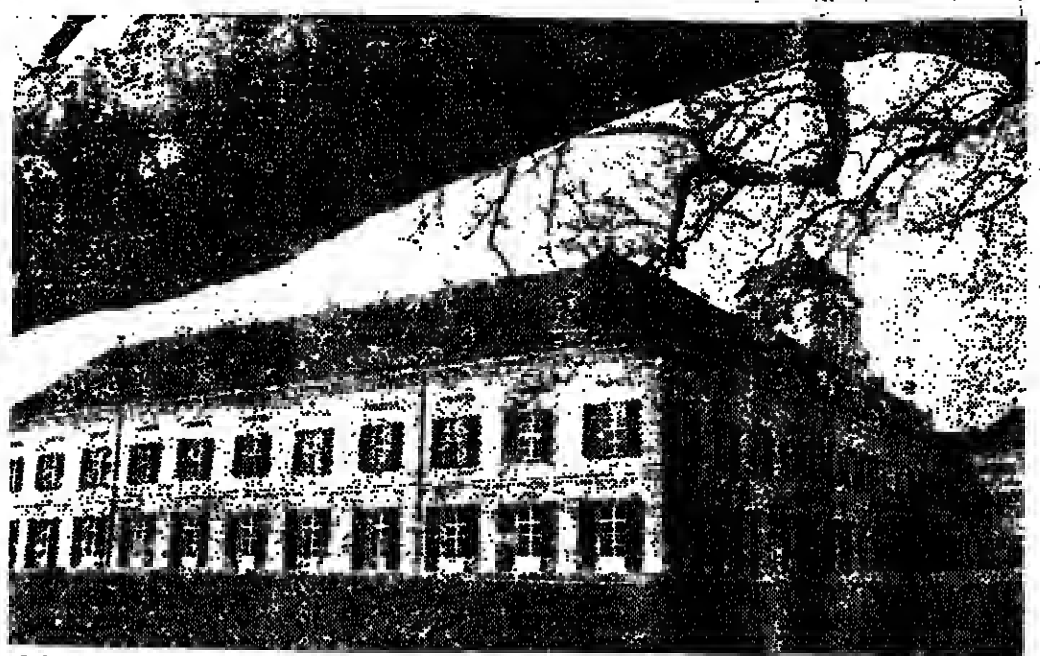
The institute was conceived by President Lyndon Johnson in 1966 to show that the U.S. and Soviet Union could do something useful together. It was established in 1972, at the height of detente.

Its governing council is manned by representatives of top-rank scientific bodies from 17 countries, roughly including Nato members, the Warsaw Pact, Japan and some European neutrals. The governments funnel does through these scientific bodies rather than give funds directly. This device, incidentally, allowed the two German states to take part at a time when they had no formal relations.

The institute's basic aim is to use mathematical and computer methods to tackle long-range global problems like energy and food resources. By all accounts its work is worthy, better than many United Nations agencies in similar fields.

But its origins have given the two superpowers a peculiar dominance. They pay extra for the privilege—about $2.2m each and six times as much as the smaller members. The unwritten rule is that the Soviet Union provides the governing council's chairman. So far it has been Professor Jermen Gvishiani, deputy chairman of the Soviet State Committee for Science and Technology and son-in-law of the late Mr Alexei Kosygin. The director is nominated by the U.S.

By and large, the working atmosphere has been collegial and apolitical, though the air was soured last year when allegations surfaced in the Press that the institute's secretary, Dr Arkady Belozerov, was acting as a "control" for a Norwegian double agent.



This spectacular Hapsburg hunting lodge outside Vienna houses the International Institute for Applied Systems Analysis

Dr Belozerov speedily offered to resign, and the IIASA accepted, saying it had "no way of independently determining the truth" of the spy charges.

A claim that the incident had nothing to do with the institute's activities was generally accepted.

But the affair has not helped the IIASA in Washington to redress the impact of President Ronald Reagan's science budget cuts. Last year, the Administration reduced by 40 per cent its funding to the National Science Foundation, which in turn funds the National Academy of Sciences, the U.S. body on the institute's board. It plans to cut it by a further 12 per cent in the coming year.

In these circumstances, the National Academy of Sciences says, it wants to stay in the Vienna organisation, but must pay less. The current betting is that, though the academy has been told by other IIASA members that it may pull out altogether by the end of this year, it will stay and chip in with only $1m next year. The Soviet academy is likely to make a similar cut—a blow to the institute, but not fatal.

"The overall political climate couldn't be worse for an institute like the IIASA," says Mr Allan Hirsch, the U.S. deputy director, speaking against the background of recent requests by Reagan administration officials for U.S. scientists to exercise self-censorship in their public writings and pronouncements in the national interest. Mr Hirsch points out, however, that the institute does not deal in high or hard technology, but rather in methodologies of an unsensitive and unclassified nature.

He admits the flow of computer information is "unbalanced as hell" between the Eastern and Western members, because the former have no real computer network yet. But other information has not flowed East down a one-way street. The Soviet Union, for instance, has given its IIASA partners energy and migration data it had never divulged before.

Nevertheless, the institute "is bending over backwards" to accommodate White House complaints, Mr Hirsch says, and may cut itself off from one source of information that has caused the Central Intelligence Agency concern. This is the IIASA's computer hook-up to the Lockheed data base of non-classified bibliographical information in the U.S.

Theoretically, this enables a Soviet scientist to obtain all references in the U.S. literature to, say, remote sensing by satellites of agricultural crops. IIASA officials point out that this information is freely available to thousands of people in the U.S., including Soviet diplomats. But the Administration argues that access to this is an important "convenience" to Soviet scientists which the U.S. should not provide.

What is clear is that, in the heightening of East-West tensions, the institute needs to broaden its political base. In fact, this is already happening, with active encouragement from the U.S. Government which has just nominated a Canadian, Mr C. S. Holling, as the new director. New members from the Third World may be hard to find, since they would obviously need a fairly sophisticated scientific community to draw any benefit. But Mexico, Brazil and India are among those being actively canvassed to join.

If the U.S. were to pull out, leaving the Soviet Union in awkward predominance, it is conceivable that the European Community could come in as a political counter-weight. This is an option being pushed in particular by Sir Herman Bondi, Britain's Royal Society nominee on the IIASA board.

Plan to aid small business in Sweden

By William Dullforce in Stockholm

SWEDEN'S SMALL businesses are promised tax relief and greater opportunity to issue shares to the public under a parliamentary Bill tabled yesterday by the minority Centre-Liberal coalition Government.

The measures proposed could provide small companies with between SKr 500m and SKr 1bn (£48m-£95m) a year in new risk capital, according to Mr Nils Aasling, the Minister of Industry.

In comparison with earlier government attempts to stimulate small business, the Bill offers little direct financial support. The intention is to bring about a capital market for small companies and to help them exploit free market resources, Mr Aasling says.

Companies with less than 200 employees would be able to deduct 70 per cent of their dividend payments to shareholders from their taxable profits up to a maximum amount of SKr 700,000 (£67,000).

This would reduce their taxes and alter the current system under which profits are taxed both at the company and shareholder levels. It also means that owners would pay the same tax whether they take money from companies as salaries or as dividends.

The Bill proposes that banks and stockbrokers be authorised to trade the shares of companies not listed on the stock exchange. The "share savings funds," which have been such a public success in the past two years, would be allowed to place up to a quarter of their capital in such companies.

The Government would provide credit guarantees and interest support to a new company, Growth Invest, to enable it to invest in long-term projects which are not likely to give a return during the initial years.

The wealth tax is to be amended so that an owner's taxable holdings do not automatically increase when the value of his company's shares rises sharply.

A small company register is to be drawn up to furnish public bodies with data already collected.

East bloc countries warn church activists

BY PAUL LENDVAI IN VIENNA

THE COMMUNIST authorities in Czechoslovakia and Hungary have warned that they will not tolerate "hostile" and "irresponsible" political activity among Roman Catholic priests and believers.

Austrians intimately concerned with Church affairs in both neighbouring countries say the authorities fear growing religious and pacifist sentiments.

"There are tens of thousands of believers, mainly young people, who are in one way or another involved in religious activities," an Austrian church dignitary said.

The Czechoslovak leadership has long been concerned about the danger of a political spill-over from Poland and the growing influence of the so-called "underground church." Rude Pravo, the Prague Communist party newspaper, charged in a recent editorial that "political clericalism played an important role as an instrument of imperialism in splitting the unity of the people in the Socialist countries."

The newspaper attacked Pope John Paul II by name for "not missing a single opportunity to demonstrate his support for the counter-revolutionary activities and leaders of the Polish Solidarity organisation."

A Prague court recently sentenced Fr Frantisek Lizna, a Jesuit priest, to 27 months' jail for smuggling out of the country an underground religious publication.

Catholic believers and theology students are subjected to growing harassment and most of the bishoprics are vacant.

The Hungarian authorities, on the other hand, are most concerned about the rapidly growing number of small Christian groups outside the control of the Church hierarchy, which speak out against mandatory conscription and advocate the right of conscientious objectors to be excused military service. They are attracting increasing numbers of younger clergymen as supporters or leaders.

The Primate of Hungary, Cardinal Laszlo Lekai, is firmly opposed to pacifist activities and has suspended several priests for speaking out publicly against military service.

The issue will be discussed along with freedom of religious instruction and the activities of religious orders at negotiations to be held soon between Archbishop Poggi, the Pope's special emissary, and the Hungarian State Church Office.

Tension is also reported to be growing in Croatia, one of the six constituent republics of Yugoslavia, where the population is overwhelmingly Roman Catholic. Several priests have been recently sentenced to long prison terms on charges of "spreading nationalistic hatred."

Two Austrians arrested over secret data

LINZ — Austrian police have arrested two technicians on suspicion of stealing and possibly selling top-secret technical documents and data to foreign countries, judicial authorities said yesterday.

Austrian Radio said blueprints from the Steyr-Daimler-Puch engineering company allegedly had been sold to Czechoslovakia and the Soviet Union. The Austrian Press agency, however, quoted the authorities as saying it was not yet clear if minutes of meetings and construction plans on precision gear for measuring ballbearings and roller-bearings were actually sold abroad.

The Steyr concern, a nationalised industrial enterprise, is located in Steyr, in Upper Austria, and has offices in Vienna and elsewhere.

Finland's leader pays first official visit to Moscow

BY OUR FOREIGN STAFF

FINLAND'S PRESIDENT, Mr Mauno Koivisto, flew to Moscow yesterday for his first official visit to the Soviet Union since his election in January. He was greeted by President Leonid Brezhnev and Mr Andrei Gromyko the Soviet Foreign Minister.

Mr Koivisto has said he will follow the policy of friendly relations with the Soviet Union established by his predecessor, Dr Urho Kekkonen, who stepped down last year after 25 years in office.

There were suggestions during the Finnish presidential election campaign that the Kremlin would be unhappy if Mr Koivisto were elected, but all signs of Soviet disapproval have since disappeared.

Recent Soviet Press reports have indicated that the Kremlin aims to continue the relationship so carefully nurtured in the past. Yesterday's edition of Pravda, the Communist party newspaper, carried a photograph of President Koivisto on its front page, with a 250-word biography.

Lance Keyworth adds from Helsinki: The Soviet Union are to supply about 85 per cent of Finnish oil requirements in the current year, compared with about two thirds in the past few years.

The Finnish state oil refinery, Neste Oy, has not renewed its oil import agreements with Saudi Arabia, Iran and Iraq.

The Finns have a large surplus in their trade with the Soviet Union and as Soviet oil prices are coming down, increased imports from that country should help redress the balance of trade.

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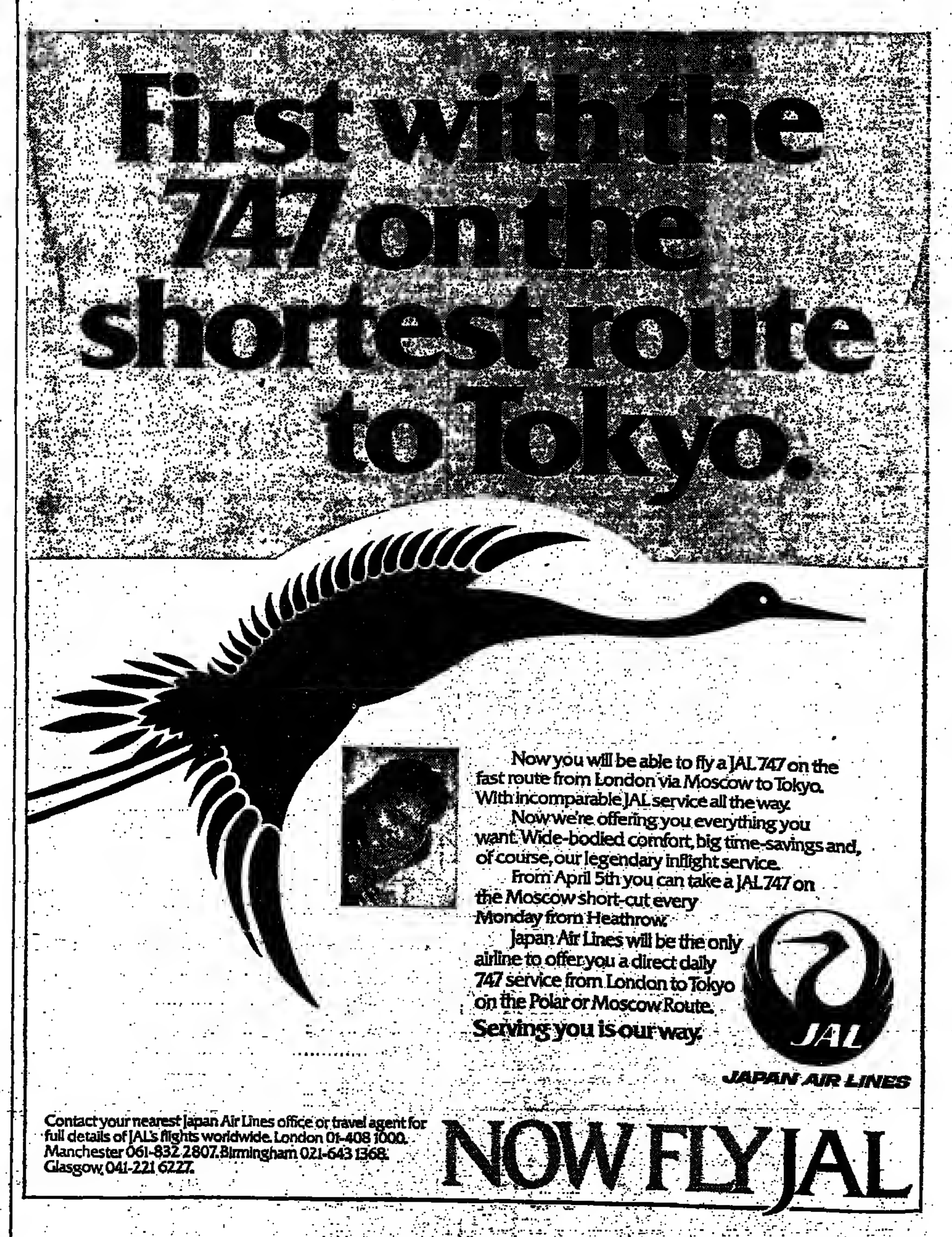


Interest rates fall sharply in West Germany

BY STEWART FLEMING IN FRANKFURT

INTEREST RATES in the West German capital market have fallen sharply in recent days and are now back to levels which ruled at the beginning of 1981 before the Bundesbank introduced its "special Lombard" rate to support the D-Mark on the foreign exchanges.

Yesterday, the Government announced an aggressively priced new 10-year loan with a yield of 9.42 per cent. Just over two weeks ago, on February 19, it floated a similar issue at a yield of 9.75 per cent. In September of last year, public bond yields hit a cyclical peak of 11 per cent.

Dealers in the Frankfurt bond market hed expected the new DM 1.2bn government issue to be floated at a yield of 9.5 per cent, but against the background of a rallying market the issue was priced aggressively and was well received, according to dealers.

Share prices, too, have been strong in recent weeks. Buoyed by hopes of falling interest rates, they reached a year's high on Monday.

Signs of an easing in U.S. interest rates have helped the bond market rally. Bnt, in eddition, the moderate 4.2 per cent wage settlement in the West German metal industry and encouraging February inflation figures have raised hopes that the improvement which occurred last year in West Germany's external financial position will now be matched by a healthier domestic economic climate.

There are growing hopes that, at its next meeting in two weeks' time, the Bundesbank will take further steps to lower short-term interest rates, whieb are currently around 10 per cent.

Interest rates for mortgage leans have also been easing recently, a development anxiously awaited by the hard-pressed building industry. But some investors remain wary in view of the uncertain international eutlook, particularly as a result of developments in the U.S. where interest rate prospects remain elonded.

East German banks given wider power over industry

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY has greatly strengthened the role of its banking system to achieve greater industrial productivity which continues to lag one-third behind that of West Germany.

Under a new decree, state banks have been given sweeping authority to control the country's 157 giant industrial trusts by stipulating the conditions under which they ere to receive loans. If a state company fails to meet production targets, including productivity gains, and lags in repaying loans, it can be charged interest of up to 12 per cent. This is two points higher than previously.

The state banking system has been given powers to examine the accounts of state concerns and to impose a total ban on loans to companies which do not meet performance standards. In the case of conflicts between state companies and a bank, the bank director's word is final, the decree states.

The purpose is to tighten control over the horizontally organised Kombinate or trusts while eliminating interference from the industrial ministries. However, the law still does not prevent the Communist party's politburo from exerting a strong influence on industrial development.

The lew is part of a new "economic accounting system" which is to assure that factors such as costs, prices, credits and interest rates play a mucb greater role. One problem is that, because of East Germany's non-convertible currency and artificial exchange rates with other East European currencies, and price controls, it is virtually impossible to determine real costs and prices.

French employers urge cut in costs

By David White in Paris

M YVON GATTAZ, the new head of France's employers' federation, yesterday made an urgent appeal to the Mitterrand Administration to stop the rise in company charges and to bring in relief measures to compensate for crippling increases in costs.

The "Patronat" chief said that the burden of social charges and tax had reached the "danger mark" because of the introduction of a 39-hour working week and the extension of annual holiday entitlement from four to five weeks.

In an interview in the newspaper Le Monde, he criticised the Government's approach to helping the corporate sector. "We would prefer less aid and lower charges," he said. "That would be healthier and more effective."

The Government has announced a lending package of FFr 24bn (£2.1bn) te industry this year, two-thirds ef it at subsidised rates. M Gattaz recognised that this would bring a FFr 10bn increase in corporate aid. But the extra charges were six or seven times this amount, he said.

Relief measures were "a matter of life and death" to the French economy, he said.

The 39-hour week—introduced as a general rule without loss of pay—and the extra holidays would give companies an extra bill to pay of about FFr 60bn, he said. Social charges were already higber than in other countries and the salaries on which they were based were rising faster than elsewhere, leading to a loss in competitivity.

Future prospects were "terrifying," with the planned reduction of the retirement age from 65 to 60 and the implementation of Government proposals to reinforce workers' rights.

"We have the feeling that if this continues Frencb companies will be condemned to wholesale slaughter," M Gattaz said, quoting recent figures which showed a 31 per cent rise in industrial bankruptcies last year.

Among the changes called for by M Gattaz was an end to the so-called professional tax, which is mainly based on company payrolls and on their fixed assets.

SPD parliamentary leader opposes sanctions, **Jonathan Carr** reports from Bonn

Wehner line on Poland upsets Schmidt

"I AM ONE of those who were burned," Herr Herbert Wehner once said about his former membership of the Communist Party. Herr Wehner, long-time parliamentary floorleader of West Germany's ruling Social Democrat Party (SPD), meant he had seen Communist dictatorship from the inside and needed no warnings from others about what it involved.

This is the man who has recently returned from a visit to Poland, apparently convinced thet continuation, let alone intensification, of Western sanctions would bring catastropbe for the Polish people.

Herr Wehner has been reticent in public about what he calls his "private visit"—albeit one in which he talked with, among others, Poland's leader, General Wojciech Jaruzelski, and representatives of the Catholic Church. But those who have had a chance te speak to Herr Wehner since his return late last month agree on one thing. He feels sanctions will simply worsen Poland's already grave ecenomic plight, increase the suffering of the population and make far less likely the fulfilment of key Western demands — an end te martial law, release ef the detainees, and a continuation of the reform ceurse.

Herr Wehner is no ordinary politician. With Herr Kurt Schumacher (the SPD leader in the 1940s and early 1950s), he is probably the most influential Social Democrat of the post-war period. He played a key role in transforming the SPD from a Marxist-orientated party to one palatable to midle-of-the-road voters. Though now aged 75, in poor health, and often cantankerous, he commands great respect and support in the party.

That implies a major new headache on Poland for Chancellor Helmut Schmidt. The Chancellor is thought broadly to sympathise with Herr Wehner's views, but he has an already-strained relationship with the U.S. to consider, too. Bonn has long been under fire from Washington — at least from the "bawks" — for being "soft" on the Polish crisis.

Herr Wehner's background helps explain the position he is now adopting on Poland—a mixture of deep sympathy and "Realpolitik." Born in Dresden (in what is now East Germany) on July 11, 1906, he was from the first a fighter highly uncomfortable for the authorities.

He joined the SPD at the age of 17 but soon graduated to the Communist Party, which he represented in the Saxon parliament in the early 1930s. After the Nazis came to power, he went underground, doing illegal party work in Berlin and the Ruhr, undergoing arrest in Prague and organising in Paris the first German Communist contingent to fight in the Spanish civil war.

He turned up in Moscow in the late 1930s at the time of the notorious trials there of Bolsheviks. He worked for a magazine and for Moscow Radio, and was even interrogated for suspected "deviationism."

Later, in Sweden, a country with which Herr Wehner retains especially friendly links, he organised the exiled German Communists there. He was arrested and interned by the Swedish police, and in the process returned to being e Social Democrat.

All this points to Wehner the man of action. But after the war and back in Germany, he showed he was also a long-term political strategist of a high order. It was Herr Wehner who, as much as anyone, forced the SPD away from Marxism and onto a middle course—a change effected priecipally et the Bad Godesberg conference of 1959. And it was he whe did much te bring about the "grand coalitioo" between the SPD and the Christian Democrats in the mid-1960s, thus helpieg Social Democrats back to gevernment office for the first time since before the Nazis came to power.

But combine Herr Wehner's experience at the hands of the Communists aed the Nazis with his ability for long-term planning, and it is not hard to understand his attitude to the "Ostpolitik" in general and the Polish problem in particular.

Herr Wehner has for decades stressed that he wants to see a united Germany within a European peace order. What he means is that the two Germanies must not be re-united by force, but that barriers between East and West in Europe must gradually be removed so that unity for the German people will one day become possible. He knows very well that that day is still far off. He also oppreciate that at present it is hard enough even to preserve these elements of East-West European relaxation which have been built over the last decade or so.

In addition, Herr Wehner is said to feel deeply that because of Nazi crimes, the Germans have a huge and probably unrepayable moral and material debt te Eastern Europe, and to the Poles abeve all. Thus, quite apart from his feeling that sanctions against Poland are peliticallv inadvisable, Herr Wehner believes that the Germans, ef all people, should not become invelved in measures ef economic punishment.

That positinn puts him in conflict with many both inside and outside Germany. But, for Herr Wehner, that is a highly familiar situation.

A majority of the Social Democrat parliamenary groop yesterday came out against further sanctions against Poland and expressed support instead for economic aid, writhe Jonathan Carr.

The stand emerged at a private meeting addressed by Herr Herbert Wehner (left), the SPD parliamentary floorleader, who gave an, et times dramatic, account of his recent visit to Poland.

Herr Wehner reportedly said he would prefer to be "struck down, rather than lift a finger for sanctions." He nrged a discussion in the Western alliance and, if necessay, "a struggle" over the sense of sanctions and their true effects.

Switch sought in Oslo's oil sales to France

By Fay Gjester in Oslo

FRANCE WOULD prefer to negotiate directly with Norway on petroleum purchases, rather than jointly with the other EEC countries said M Claude Cheysson, French Foreign Minister, when he arrived in Oslo on Monday for a visit.

He said France wanted to increase its imports of Norwegian oil and gas end to develop Franco-Norwegian co-operation in areas including industrial development, scientific research and cultural exchanges.

● Statoil, the Norwegian state oil company, decided yesterday to cut the price of its North Sea crude with immediate effect by an everage $4 a barrel, AP reports from Stavanger. The new price will be $31.1 a barrel.

Brussels answers grain embargo charges

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission yesterday tried to refute allegations by the European Parliament that, under the presidency of Mr Roy Jenkins, it undermined the U.S. grain embargo imposed on the Soviet Union after its invasion of Afghanistan.

The Parliament, in one of its strongest-ever attacks on the Commission, voted by 104 to 49 late on Monday evening in favour of a resolution accusing the Brussels antborities of ignoring promises given by the EEC in February 1980 not to undermine the embargo. The resolution also eccused the Commission of misleading the Parliament itself.

Although the Parliament's case is a strong one, a number of the 434 MEPs appear to have backed away from the issue because of the vigour with which British Conservatives have been using it as a stick with which to beat Mr Roy Jenkins in the run-np to the Hillhead by-election. Mr Jenkins is seeking election as a candidate for the SDP-Liberal Alliance.

In supporting the Americans, the Community promised in 1980 to keep its agricultural exports to the Soviet Union at average levels for the previous three years. The Parliament claims that 142,137 tonnes of butter and butter oil were exported when the ceiling should have been 75,000. Overall exports were four times as high es they should bave been, with animal feedstuffs 44 times higher and wheat 340 times.

The Commission's reply yesterday concentrated largely on wheat and stressed that all licenses to export this product to the Soviet Union were witheld between January 15, 1980, and April 1981. It acknowledged that 576,000 tonnes of wheat had been exported but claimed that this was with licenses issued before the invasion of Afghanistan in December 1979.

It insists that barley exports in 1980 were in line with the three-year average but does not make the same claim for the 318,000 tonnes of flour and nor the 300,000 tonnes of cereals. It has nothing et all to say about further exports.

The reality appears to be that the Commission was acting in tune with the political attitudes of member states. They have no great belief in the value of trade embargoes and were not prepared to interfere with contracts already made so as to make sure they were complying with the letter of their commitment to the U.S.

For many MEPs, including the British Tories, this issue has been testing the parliamentary temperature for a full-blown assault on the Commission later this year or early next year. Their aim is to secure a confrontation with member governments through the wholesale sale dismissal of the Commission.

MITTERRAND REVIEWS LATIN AMERICA POLICY

France counts cost of aiding Sandinistas

BY DAVID WHITE IN PARIS

WHEN FRANCE'S Socialist-led Government decided to take initiatives in Central America, and more particularly when it agreed to supply small quantities of arms to the Marxist Sandinista Government in Nicaragua, its leaders knew they were picking a quarrel with the U.S. But they cannot have calculated quite the impact this switch in policy would have on French relations with the rest of Latin America.

Touring the region recently on an explanatory mission, M Francis Gutmann, number two at the French Foreign Ministry, found his talks with Latin American leaders being taken up "80 to 90 per cent" by the Central American issue.

France's position on the conflict in El Salvador and on Nicaragua was described as being "not very well understood" or "unequally understood" by the major countries in the region—a euphemism for the fact that the French had rubbed most of them the wrong way.

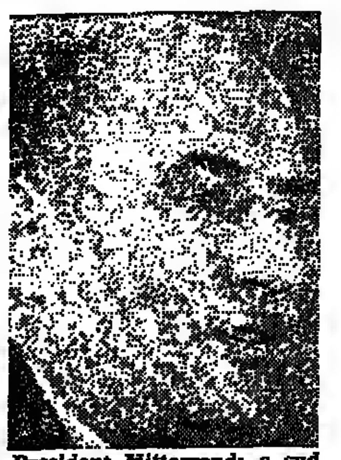
Even Mexico, a pillar of French trade and of France's bid to set a new trend in the world's North-South relations, proved none too happy about the arms deal, which included helicopters and rockets for Nicaragua's rapidly-expanding forces. This came only a few months after the Mitterrand Government, departing from usual French diplomatic practice, had signed a joint declaration with the Meixcans on El Salvador, calling for the left-wing opposition, both guerrilla and civilian, to be brought into settlement negotiations.

The 10 Latin American governments which had protested against the Franco-Mexican declaration — mostly right-wing military regimes but including others such as Venezuela—were still sorer about the arms. Closer to home, Spain accused the French of meddling in areas where they had no business, and the domestic opposition press accused the Government of "fanning the flames" in El Salvador's civil war.

Washington, through its new ambassador in Paris, the bluff ex-banker Mr Evan Galbraith, and its UN envoy, Mrs Jeane Kirkpatrick, has attacked the French leaders for being "naive" and "romantic."

Opinions vary about the impact on France's commercial relations, but one well-known French company operating in advanced - technology fields claims that its markets in at least three key countries have been virtually cut off.

Besides having an interest of his own in the region—witness the impressive array of Latin American writers-in-exile who attended his inauguration last year—President François Mitterrand has in his entourage two figures who are strongly involved. One is his wife, Mme Danielle Mitterrand, active in a Solidarity Committee for the People of El Salvador. The other is M Regis Debray, the controversial writer who spent three years in a Bolivian jail and who has been recruited as special adviser on Third World affairs at the Elysée Palace.



President Mitterrand: a sudden new interest in the region

The very name of M Debray works like itching powder on U.S. officials (to say nothing of Bolivian officers), who see him as a direct link to Cuba's President Fidel Castro.

There is also a strong lobby in the Socialist Party. A delegation from the party has just returned from a tour of countries in the Caribbean region, including Cuba. Among the 110 proposals put forward in the Socialist manifesto for the presidential election last year, "condemnation of U.S. aid to Latin American dictatorships" figured in second place, immediately after a demand for Soviet troop withdrawal from Afghanistan.

This has become the main theme of French policy: the need to stop an East-West conflict from developing in Central America and the danger that other countries' tactics (meaning those of the U.S. in particular) will lead to just such a conflict and to totalitarian regimes. In giving aid to Nicaragua, the French hope that the Sandinista government can still avoid being pulled—or pushed—fully into the Soviet orbit.

The Foreign Ministry has been anxious to explain that the arms it is sending to Nicaragua, worth FFr 90m (£8.2m), are less than French civilian aid. They are also intended for "defensive" uses and are not supposed to be re-exported to El Salvador or elsewhere. Equally, diplomats emphasise that the Franco-Mexican declaration on El Salvador speaks of the left-wing opposition front as being among the representative forces in the country and not as *the* representative force.

These reassuring noises are aimed particularly at countries such as Brazil, where the French are keen to preserve their influence and their important market in energy, transport and other sectors.

Immediately after his election, President Mitterrand sent his brother Robert on a mission to keep the Brazilians sweet, and another brother, Gen. Jacques Mitterrand, head of Aérospatiale, went along, too. Sr Antônio Delfim Netto, the Brazilian Planning Minister, who was formerly ambassador in Paris and has since been a regular visitor, was back again in February and went away with a bagful of loan promises.

The French Government has had human rights quarrels with Brazil—over the trial of two French priests accused of fomenting rebellion among peasant squatters in the Amazon region—just as it has with Argentina over people who have disappeared there. But it has tried to stop these incidents from getting in the way of trade relations, which are being pursued in all fields, including the military.

The one instance of contracts being stopped by Paris is Chile, which was receiving French tanks at the time of M. Mitterrand's election and was expected to get Mirage aircraft. As a general rule, the French have promised to carry out all existing contracts; Chile is the one exception, and arms shipments have quietly been stopped.

Elsewhere, despite the new French profile in Central America, the order is "business as usual."

Brazilians aim at June signing for Carajas loans

BY ANDREW WHITLEY IN CARAJAS

BRAZIL IS working towards a tripartite signing ceremony in June on loans from the World Bank, the European Community and Japanese banks to the Carajas iron ore project in the Amazon. The project is, in effect, a \$1.5bn (£822m) "foundation stone" for the minerals-based Greater Carajas programme.

Carajas is on target to produce 25m tonnes a year of high grade iron ore and pellets for export by 1987. Production is due to start in 1985 at 15m tonnes.

Mr A. W. "Tom" Clausen, the president of the World Bank, yesterday visited the Carajas site, 500 miles south of the mouth of the Amazon.

The bank's positive feasibility report and its own commitment of several hundred million dollars to the project are regarded by Brazilian officials as the green light without which private foreign capital would never have been made available. The development is expected to exploit the world's greatest reserves of minerals available on a single site.

Brazil is hoping to secure the World Bank's agreement to raise its loan commitment from the present level of around \$320m to \$400m, matching the contribution of the other two partners, as a result of Mr Clausen's visit. This would raise the total level of World Bank approved loans to Brazil in the fiscal year 1982 to \$1.25bn.

Aaptr from these bilateral negotiations, which will probably be initiated in Brasilia tomorrow when Mr Clausen meets President Joao Figueiredo, details remain to be completed for the EEC loan from the Coal and Steel Authority.

Brazil still needs to find \$300m in external financing for Carajas. According to the Central Bank, West German banks have been approached.

Bankruptcies near record

BY OUR NEW YORK STAFF

THE COMBINATION of high interest rates and recession is resulting in a near-record rate of bankruptices in the U.S.

Companies have been going out of business at a rate of between 450 and 500 a week so far this year, an increase of about a quarter on last year's rate. In the second week in February, 529 companies failed, which could be the highest since the depression, according to Dun and Bradstreet, the business research firm.

In the latest week for which figures are available, ending February 25, 459 companies went out of business.

Most of the failures involve small businesses, usually in retailing. But the severity of the economic climate is also producing increases in failures among larger businesses, and in other sectors.

U.S. Bill urges Salvador talks

BY ANATOLE KALETSKY IN WASHINGTON

A REPUBLICAN Senator, whse support is crucial for the Reagan Administration's military aid programme to El Salvador, yesterday announced that he would introduce a Bill to force the El Salvador Government, headed by Mr Napoleon Duarte, to start "good faith negotiations" with guerrilla leaders as a condition for further U.S. military aid.

The announcement came as the Administration promised to produce photographic evidence of a massive Soviet-backed military build-up in Nicaragua.

The Administration has accused the Sandinista Government in Managua of helping guerrillas in El Salvador. The State Department said the evidence would deal with the construction of extended runways designed to handle advanced MiG fighters and the importation of tanks, armoured personnel carriers and transport vehicles.

Senator Mark Hatfield, chairman of the Senate Appropriations Committee, said yesterday that he would introduce legislation next week blocking all military aid to El Salvador until the Duarte Government started unconditional negotiations aimed at a ceasefire along the lines proposed last month by the Mexican President, Sr Jose Lopez Portillo. Senator Hatfield's proposals will include the establishment of an Organisation of American States' commission "to facilitate a ceasefire and peace negotiations."

Senator Hatfield's proposed legislation coincides with another Bill, put forward on Monday by the Democratic minority leader in the Senate, Mr Robert Byrd, which would prohibit the President from sending troops to El Salvador without the prior approval of Congress. The 1973 War Powers Act currently gives the President the right to send troops abroad, but requires him to seek congressional approval within 60 days.

Meanwhile, the guerrillas have launched their fiercest offensive for more than a year. They appeared to be in control of the major provincial town of San Vicente for a time on Monday before withdrawing

Prospect of joint military action

BY JIMMY BURNS IN BUENOS AIRES

THE U.S. Assistant Secretary of State for Inter-American Affairs, Mr Thomas Enders, yesterday held out the prospect of joint military action in Central America when he spoke to reporters at the end of a three-day official visit to Argentina.

Mr Enders, who is the most senior U.S. official to visit Argentina since President Loepoldo Galtieri took office in December, stressed that there was "no question of any sort of peacekeeping force" composed of the armies of the U.S. and certain Latin American countries, including Argentina, being sent to Central America.

But he did hold out the possibility of common military action under the auspices of the Organisation of American States and according to the specifications of the Rio Treaty. The treaty allows for common military and economic action to be taken by member states on certain matters of international importance.

"I would not like to give the impression that this is either imminent or necessary, but it is a possibility," he said.

Mr Enders said he understood that Argentina "would like to be present in any action in Central America," but he would not comment in detail on Argentina's apparent willingness to give military and economic assistance to El Salvador.

Mr Enders repeated a strong attack on "Cuban adventurism" in the region and of Nicaragua's support for the guerrillas in El Salvador, which he said was a "vital missing element" from Mexico's recent peace proposals.

Mr Enders renewed a warning that the U.S. and Argentina might be forced to take common action to protect their agricultural exports against European Community farm producers export policy.

Mr Habib . . . success

PLO warns Israelis over ceasefire

By Ihsan Hijazi in Beirut

THE PALESTINE Liberation Organisation (PLO) has served notice that while it will adhere to the ceasefire in southern Lebanon, it will keep up its activity inside Israeli - occupied Arab territory.

It warned that if Israel should strike at the Palestinians in Lebanon, the guerrillas will retaliate by hitting deep inside Israel itself.

The warning yesterday came from a spokesman quoted on the Voice of Palestine radio station. He emphasised that the truce along the Israeli-Lebanese border reached last July, was limited to cross-order operations from Lebanese territory.

The spokesman was replying to remarks made earlier by Mr Ariel Sharon, the Israeli Defence Minister, that guerrilla attacks inside Israel would be considered a provocation.

The Palestinian-Israeli war of words coincided with the continuing mission by U.S. special envoy Mr Philip Habib, who had helped arrange the truce. Mr Habib returned here yesterday, after another round of talks in Jerusalem with Mr Menahem Begin, the Israeli Prime Minister, and Mr Yitzhak Shamir, the Foreign Minister.

Mr Habib has also held talks in Damascus, Amman and Riyadh. Arab diplomats believe that he has delayed an Israeli invasion of southern Lebanon, but newspapers here raised questions yesterday about how long Washington can hold off the Israelis.

Gold price pushes S. African rand below U.S. dollar

BY J. D. F. JONES IN JOHANNESBURG

THE SOUTH AFRICAN rand yesterday fell below parity with the U.S. dollar for the first time as the all-important gold price continued to weaken and the Republic braced itself for the full impact of the international recession.

The Reserve Bank has been supporting the rand above the emotive dollar-parity level while the gold price has plunged from \$850 an ounce to \$325 in 18 months and the balance of payments has fallen into major difficulties.

Yesterday the Bank apparently agreeing with the business view here that there is a limit to how long an unrealistic rate can be maintained, withdrew support and the rand opened at 99.16 cents, compared with Monday's close of \$1.0105. The rand later closed at 99.21.

In January 1981 the rand was worth \$1.35: there has therefore been an effective devaluation in that period of over 25 per cent.

Paradoxically the decline of the rand, caused by the fall in the gold price, brings a direct benefit for the mines since gold sales are denominated in dollars. However, the gold price is now so low that the industry is becoming seriously concerned about the implications for a large number of mines.

The Finance Minister, Mr Owen Horwood, is due to present his budget on March 24 and it has become clear that he will have to look for more Government revenue over what he raised by an emergency mini budget last month. This included a 10 per cent import surcharge and a 1 per cent rise in general sales tax.

The level of the gold price has a direct impact on Government revenue; this week, for instance, it has been estimated that the Exchequer faces a prospect of less than R1bn in gold tax and leasing revenue in 1982-1983 compared with R3.6bn in 1980-81.

Mr Horwood will now have to redo his sums in the light of the new parity. It is widely expected that he will introduce a loan levy on companies and individuals because the alternative, another increase on general sales tax—would have political consequences since it falls on all consumers, and on foodstuffs.

Delhi plans to set up two more oil refineries

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government yesterday announced that it had decided to set up two new oil refineries at Karnal in Haryana state and Mangalore in Karnataka state. Each will have a capacity of 6m tonnes a year.

The refineries are part of a plan to increase refining capacity after the sixth five-year development plan ends in 1985. The present refining capacity is around 30m tonnes from 11 refineries.

This will increase by another 6m tonnes when the latest refinery at Mathura in Uttar Pradesh state is commissioned in the next few months. Trial runs are now being conducted at Mathura.

The Government has not yet announced the source of the funds for the new refineries, which have not been provided for in the sixth plan. The plan itself is running into difficulties because of a shortage of resources. Work on the two new refineries is unlikely to begin before 1985.

By then, India hopes to increase its oil production to roughly 22m tonnes, which would be about 70 per cent of its needs. The rest would continue to be imported from the Middle East and the Soviet Union.

Indian foreign investment rules will not change

BY OUR NEW DELHI CORRESPONDENT

INDIA'S Finance Minister, Mr Pranab Mukherjee, yesterday rejected demands for changes in the Foreign Exchange Regulation Act (Fera), which governs the ownership of foreign companies in India.

This brings to an end speculation that the Indian Government was planning liberalisation of the guidelines issued when Fera was enacted in 1974 to "Indianise" foreign companies.

The speculation began when the Government borrowed \$5.8bn from the International Monetary Fund last year. During the negotiations on the loan, the IMF indicated that it would like foreign investment to be encouraged.

Mr Mukherjee told Parliament yesterday that the Government feels "the existing provisions of Fera are adequate to facilitate investment and production in high technology areas."

Under the Act foreign companies have been asked to reduce their non-Indian equity holdings to 40 per cent. They are allowed higher foreign holdings—either 51 per cent or 74 per cent—if they can show that they use high technology in their manufacturing operations, or export a substantial part of their production, or both.

Fully 100 per cent foreign holdings are rarely allowed and companies which insist on this—such as International Business Machines (IBM)—have withdrawn from India.

Foreign investment, except by Arab oil producing countries, is normally expected to be accompanied by the transfer of new technology to India.

'Progress' on war negotiations

JEDDAH—A committee of Islamic statesmen conceded yesterday it had failed to bridge the gap between Iraq and Iran, but expressed "deep satisfaction" over "progress achieved."

A final statement on the reconvened, four-day session of the Islamic good offices committee, which included trips to both Iran and Iraq, said the point which the two sides disagreed on is withdrawal of Iraqi troops from Iranian territory AP

Terry Povey reports on a growing crisis facing Khomeini's Islamic Republic

Food shortages cool Iran's revolutionary ardour

AFTER THREE YEARS of revolution, one and a half years of war and eight months of what amounts to civil war, Iran's fundamentalist leaders are now facing what could be, for them, a major disaster. Food supplies to the poor in the big cities are either vanishing or have become simply too expensive for the masses to afford.

Even foreign diplomats, a wealthy group, are having their rations delivered for them by the Foreign Ministry. Each week the Ministry promises delivery of chickens, butter, eggs and so on because even when willing to pay three or four times the official price on the black market, diplomats can no longer easily find the basics of life.

For the population at large there is no "friendly" ministry to provide for them and they have begun to resort to the ubiquitous queue. All over the more densely populated parts of Tehran queues of dozens and sometimes hundreds of people stretch around the streets. For every item another queue; men and women spend most of the day and some of the night waiting — in separate lines — for a chance of some eggs, a chicken, or the family's weekly meat allowance. Often the goods run out before the queue ends and that means starting again the next day.

An unemployed civil engineer, with little queueing practice, thought he would beat the crowd to his local butcher by getting there at 5 am one wintery morning about two weeks ago. To his great surprise there were 80 to 100 people already queueing, many of them holding torches, in the pitch dark. "Those near the front of the queue just laughed at me saying that they'd been there since 2 am," he said.

In Iran today all food other than fresh fruit and vegetables are rationed in two ways. Most important is the family ration card issued by the local mosque, which allows one to buy, for example, fresh meat. Then there are coupons for sugar, petrol, heating oil and the occasional chicken.

Neither the ration card nor the coupon entitles the consumer to the goods—they just limit the amount that can be bought if one is lucky enough to find any.

Price controls exist and are being enforced more rigidly but no longer with much of an eye to cheapness of basic necessities. A flourishing black market also exists, the goods for which come either from the country's domestic producers or are syphoned off from the official distribution system by the revolutionary guards and committees.

According to the Central Bank of Iran, inflation has been running at 20-30 per cent per year over the past two years. The price of foods, they admit, grows faster, at 40-50 per cent per annum.

However, comparisons of current prices with those before the Gulf War started 18 months ago suggest that prices of basic foodstuffs have, on average, doubled. Only bread seems to have stayed the same, although the size of the "loaf" has been cut.

Iran's serious problems began in the late summer of 1981, when uncontrolled imports, coupled with a partial collapse in oil sales, led to a near disastrous run on the foreign reserves. Outflows averaged \$1.5bn per month as oil revenues fell to around the \$500m mark during this period —calculations being based on the official exchange rate of 82 Rials to the dollar. Last September, the Central Bank froze all foreign payments for two weeks. Shortly after this it introduced severe controls coupled with a byzantine approvals system.

As a result, much of the regular food purchasing agreements went into abeyance. New Zealand, which supplied over half of Iran's red meat last year, found itself stuck with \$50m in unpaid bills and several ships on the way to Iran.

Although this debt has since been cleared, relations are still strained and Iran has been looking elsewhere for a partner who will supply meat in exchange for oil.

Meat shortages have been consistently one of the worst problems for the Tehran regime. Officially, the ration per family lies between 0.8 and 1.0 kilo per week. In reality, the average family manages to get about half a kilo every 10 days or so. For this mixture of meat, fat and bones the price is Rials 450 (\$5.50 per kilo), exactly double the pre-war price. On the black market limited amounts of meat are available at about \$15 per kilo.

Dairy goods have all but totally disappeared. Eggs are rationed at 30 per family every three weeks and now sell at the pre-war black market price of \$1.34 per dozen. Butter and cheese have not been seen in most shops for two months and milk supplies recently dried up almost completely.

Rice, a major part of the Iranian diet, has suffered more than almost any other item because of the foreign currency shortage. Until recently, cheap (\$0.85 per kilo) Pakistani or Thai rice was available to the poor. This has now finished and in its place the inferior grades of home grown rice are sold at two and a half times this price.

The Government continues to appeal to consumers to inform on shopkeepers selling hoarded supplies of the imported cheap rice at the new high prices or of adulterating the local product. Rice farmers hit by rising prices have taken to hiding their harvest and raids by revolutionary guards in the villages of the Caspian region looking for rice were common place in the late autumn and early winter.

Vegetables and fresh fruit are not effectively subjected to price controls and have on average doubled or trebled in price since the start of the war. Onions were not long ago available at Rials 35 per kilo but after a two week period in which it was impossible to buy onions anywhere they reappeared at Rials 130 per kilo, up 270 per cent.

Cigarettes have proved to be a major revenue earner for the revolutionary organisations who control their distribution. Winston, once the most popular brand and sold, pre-revolution, at Rials 70 per pack, were until recently sold on the streets by a multitude of stall holders and little boys at traffic lights for Rials 250. As with many other things they disappeared for a while, to re-emerge at a uniform price of Rials 450.

The control of the revolutionary guards and committees over much of the local distribution of food and other basic goods is so tight now that it represents a massive hidden form of taxation. Through it, the regime is able to maintain its local organisation without imposing too great a strain on the central exchequer.

In reality, the population at large are paying through the nose to maintain the revolutionary guards, militia, party machinery of the fundamentalists.

It is certainly not yet the case that starvation stalks the streets of the cities and villages of Iran. It is, however, the case that millions of the population are poised far too close to the narrow borderline that separates undernourishment from real hunger. The inability of the current regime to put its mind to the state of the economy, obsessed as it is by self-defence and a defiant desire to install an ever more obscurantist form of Islamic rule on the country, suggests that this problem will not be a temporary one.

The political effects of failing to care for the poor on a regime that has boasted of this as its principal concern, taken together with the growing corruption implicit in the control over the black market by the revolutionary organisations, must inevitably sap the willpower of a movement whose sole achievements to date have been based on popular support and self-sacrifice.

Failure to care for the state of the economy will not of itself bring down the fundamentalist republic, but it could well deprive it of the rock-bed of support that has to date enabled it to surprise all and survive the many predictions of its imminent demise.

Gulf mines affect imports

BY PATRICK COCKBURN IN DUBAI AND TERRY POVEY IN LONDON

MINING BY Iraq of the narrow channel that connects the northern Gulf Iranian ports of Bandar Khomeini and Bandar Mahsharh to the open sea is threatening vital supplies of oil products and other goods. Iran is already facing severe shortages due to its lack of foreign exchange and delays at the safer ports further down the Gulf.

In mid-February the 16,000 tonne tanker Mokran was seriously damaged when it hit four mines in the Khor Musa channel on its way out from Bandar Mahshahr, which now serves as an oil product off-loading terminal. The tanker is owned by the National Iranian Tanker Company and is currently on the way to Singapore for extensive repairs.

Iran badly needs to import certain middle distillate oil products since the 18-month-old Gulf war has put out of operation the giant Abadan refinery and left the country dependent primarily on two 200,000 b/d refineries at Tehran and Isfahan. All oil products are severely rationed in Iran.

Further signs of oil shortages are the power cuts which in Tehran have been affecting most areas two or three times a day in recent months and last for up to three hours.

Iraq has tried several times, with air raids, to halt the flow of goods into the two ports of Bandar Khomeini and Bandar Mahshahr and has said it does not accept responsibility for ships using these ports so close to the battle front.

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W. Germany stops export credit cover for Romania

BY STEWART FLEMING IN FRANKFURT

THE West German Government has stopped granting export credit guarantees for business with Romania as a result of the country's financing problems, a spokesman for the Economics Ministry confirmed yesterday.

He stressed that the decision reflects an assessment of the credit risks in granting guarantees for Romania. He added that such cuts are normal wheo the credit risks are judged to be too high.

This reflects the fact that the cost of meeting such guarantees in the event that payments are not made by the country covered, falls on the West German budget.

Experts in the financing of East European trade said yesterday that the Government's decision was likely to lead to a decline in West German export business with Romania since neither companies nor banks are anxious in the current political and economic situatioo to grant uncovered export credits to Romania.

Romania is in the midst of efforts to reschedule its foreign debt with international bankers. It was pointed out, however, that the decision did not imply a complete halt to export business.

Bankers expect that when Romania has reached agreement on rescheduling its foreign debt export credit cover would probably become available again.

Neither the West German Government nor the West German corporate sector want to see unnecessary barriers erected which will impede trade with the East. The West German Government's move will, however, tend to put further pressure on Romania to reach a rescheduling agreemeot.

West German export credit guarantee cover for Romania through the Hermes Credit Insurance Company is thought to total under DM 1bn, only a proportion of which is due to mature this year.

● Cover for UK exports to Romania has beeo kept very tight by the Export Credits Guarantee Department, our World Trade Editor adds. It is available for deals only against confirmed irrevocable letters of credit. As the letters of credit have to be confirmed by banks outside Romania, this is tantamount to sayiog no insurance is available at all. Total ECGD exposure in Romania is £405m.

Optimism over Ford plant in Portugal

By Diana Smith in Lisbon

THE PORTUGUESE Government has reoewed hopes that Ford will build a major assembly plant in the industrial complex area of Sines in the far south of the country.

According to Sr Alexandre vaz Pinto, presideot of the Foreign Investment Institute, the U.S. company could make a decision by June to iovest between $800m and $900m (£473m) in the plant.

This would be about $200m more than the investment Benault is making in car and motor assembly plants—the largest motor industry investment in Portugal.

For several years, the Portuguese authorities have been wooing Ford, in the hope that it would act as a spur to diversified industry in Sioes.

The area carries investment plans of some $3bn. It now has an operational refinery and steam cracker, plus some downstream petrochemical units, plagued by serious financial problems.

Ford directors have regularly visited Portugal confirming that they are maiotaining their interest, in principle, in a Portuguese venture. It has been said repeatedly in Lisbon that Ford is seeking a foreign associate—a

Iran's trade shows shift to Soviet bloc

BY TERRY POVEY

IRAN'S fundamentalist government has been pursuing a policy that it calls "neither East nor West" in both economic and political fields.

It has been on the basis of this that a steady shift towards the runniog-down of trade with the West, and the parallel growth of trade with the East and with Third World states has taken place.

It looks as if 1981 will be the best year ever for trade between Soviet and Eastern bloc members and Iran. Comecon estimates that its share of Iranian imports will be up threefold from its pre-revolution level of 5 per cent to reach almost $2bn (£1.11bn).

As well as increasing their share of sales to the Islamic regime, the Soviet bloc has also become a major oil purchaser for the first time. At 11m tonnes for 1981 this compares with 21m tonnes for OECD member states (excluding Yugoslavia) for the first oine months of the same year and is up 50 per cent oo crude purchases in 1980.

Following the 1979 seizure of the U.S. hostages in Tehran almost all trade with U.S. ended and a major vacuum appeared. The U.S. had regularly been the country's second or third largest supplier of non-military goods.

Although Japan and West Germaoy made every effort to fill the gap left by the U.S., the financial crisis of mid-1981 with the sharp fall in foreign exchange holdings due to partial collapse of oil sales, pushed Iran towards barter dealing. There were also those to the Iranian revolutionary leadership with political preferences for this type of trade.

It has, therefore, been from this period and from the time of the hostage crisis boycotts by the U.S. and EEC that Eastern Europe and the Soviet Union have been able to build up trade with Iran to its current level.

The road and rail route for goods coming through the northern ports with the Soviet Union has also heen used more extensively since the start of the Gulf war and now 21 per cent of all imports come by this route compared with only 6 per cent before the revolution.

In comparison with trade from the main Western states in the OECD there has been a dramatic improvement for the Soviet bloc. In 1977/78, according to the Ceotral Bank of Iran, OECD members held 84 per cent of the total sales to the country while the East took only 5 per cent. In fact the late Shah's regime's policy on trade set about 5 per cent as the upper limit of this trade.

With this limitation removed, for political and economic reasons, 1981 should see East bloc trade rise to some 15 per cent of the total imports while sales from the OECD could well be down to under 60 per cent of the total.

This, of course, does not include arms sales which under the previous regime were overwhelmingly from the West, but oow will include sizeable amounts from the East and its satellites in the Third World. Apart from private sales, virtually no arms will be coming from Western governments or companies.

Apart from the Soviet Unioo the major gainer has been Romaoia.

In October, last year, Iran and Romania signed a comprehensive protocol covering betweeo $1bn and $2bn-worth of joint trade. Romania's own desperate foreign exchange situation and its need to import oil persuaded it to sign the protocol in the hope of persuading Iran to agree to purchase more goods to offset an estimated $400m trade deficit in 1981.

Sucb has been the scale of expansion of East bloc trade that there have been increased signs of competition between individual members of the bloc. In particular, Roomoia and Yugoslavia appear at loggerheads over the former's alleged "dumping" policy.

One case coocerned plans for locomotive engine purchases by the Iranian State Railway system. The existing eogines are nearly all from General Motors of the U.S. and some in the higher ranks of the Iranian Ministry of Roads and Communications wanted to shift to Romanian-made locomotives as part of the general anti-U.S. policy.

Yugoslavia, whose own locomotive works was built by General Motors and who shipped spare parts from the U.S. to Iran throughout the hostage boycott was equally keen to win the contract. In the end, Romania won by under-cutting Yugoslavia by almost 50 per cent.

It is now being said that the Romanian trains are not suitable for the tough life on the Iranian railways. With 200 out of 450 engines no longer working, the Iranians have recently signed a $60m cootract with Yugoslavia for repair work on 20 locomotives plus a training programme for their staff.

In the main, however, Eastern bloc trade with Iran has been in goods of low value, bulk commodities and food, steel, timber, cement, paper and the like. The potential for future expansion of this trade into areas that would represent penetration of the economy is dependent on Iran accepting a drop in the technological level of its industries.

The East will be seeking to make headway with bulk supplies, cheap housiog, and infrastructure projects of a small to medium-scale in which advanced technology will arguably play a limited role. If Western concerns are unable or unwilling to tender for such business then the East's chances look bright.

EAST EUROPEAN TRADE WITH IRAN

	Exports to Iran (in U.S. $m) 1981*	1977/78†	Oil purchases from Iran in 1981* (million tonnes)
USSR	650	270	2.5
Romania	480	190	3.3
GDR	160	—	0.75
Bulgaria	140	—	2.0
Hungary	140	60	0.6
Yugoslavia	130	—	0.3
Poland	130	—	1.0
Czechoslovakia	70	90	0.5
	1,900	650	10.95

Throughout most of 1981 Iran's crude averaged in price at $36.5 per barrel. At this price one tonne of oil would cost $266.

* Source: Comecon Embassies
† Source: Central Bank of Iran. (—) means a total less than $20m

Moves towards dearer borrowing for Moscow

BY PAUL CHEESERIGHT WORLD TRADE EDITOR

MOVES to make horrowing by the Soviet Union and East European countries more expensive will be made today in Paris when 22 industrialised nations meet to discuss the conditions and rates to be applied to export credits.

The 22 nations take part in the Arrangemeot oo Guidelines for Officially Supported Export Credits, known as the Consensus. The existing regime for export credits was settled last October and runs out in May.

Borrowing countries are divided into three categories, according to their economic status, and rates are higher for the richer countries while maximum maturities are shorter.

The U.S. and the EEC are expected to press for the Soviet Union and East European countries to be raised from the second to the first category, thus lifting the minimum interest rates they pay from 10.5-11.0 to 11.0-11.25 per cent.

Minimum interest rates for the poorest countries, which include nations like Brazil, Mexico and South Korea are 10 per cent.

But politically neutral countries in the Consensus, like Austria and Finland, are thought likely to oppose singling out the Soviet Union for special treatmeot, especially since the moves to shift it from one category to another are partially the result of the tension caused by the imposition of martial law in Poland.

Canadian order won by Sweden

By William Dullforce in Stockholm

ASEA, the Swedish electrical engineering group, has won a $41m (£21.5m) contract to supply four turnkey 800 KV static compensators to Hydro-Quebec of Canada.

Two compensators will he installed in La Verendrye sub-station and will be commissioned in 1984. The other two will be installed at the Chibougamau sub-station and will come into service in 1985.

Skirt quotas introduced

The European Commission has introduced quotas on the import of skirts, gloves and socks to the UK for 1982-83, under the terms of the EEC-China textiles agreement. The move follows a sharp rise in Chinese shipments, writes Our World Trade Staff. The 1982 quota for skirts is 160,000, compared with imports last year of 131,000 and nooe at all in 1980.

Mozambique deal for BL and Duple

By Kenneth Gooding, Motor Industry Correspondent

BL's Leyland Vehicles subsidiary and Duple Metsec, part of the Blackpool-based Duple International group, have won a £10m order for 200 Victory single-deck buses for Mozambique against opposition from Hungary and Sweden.

Deliveries will begin in the summer and be completed by the early part of 1983. The Victory chassis will be built at Leyland's factories in Wolverhampton and Lancashire and will incorporate Leyland engines, gearboxes and axles.

The first 50 vehicles will be bodied by Duple Metsec in the UK and the rest will be shipped in kit form for local assembly.

The contract includes £1m from the Overseas Development Administration to pay for a 12-strong Leyland team to maintain and operate the buses until 1985. The rest of the funds are being provided on commercial terms by a merchant bank.

Japan seeks committee on trade with EEC

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MR MASUMI ESAKI, the leader of a Japanese parliamentary mission to EEC countries and a former Minister of International Trade and Industry, is to propose the establishment of a "wisemen's" committee ou trade between Japao and European countries.

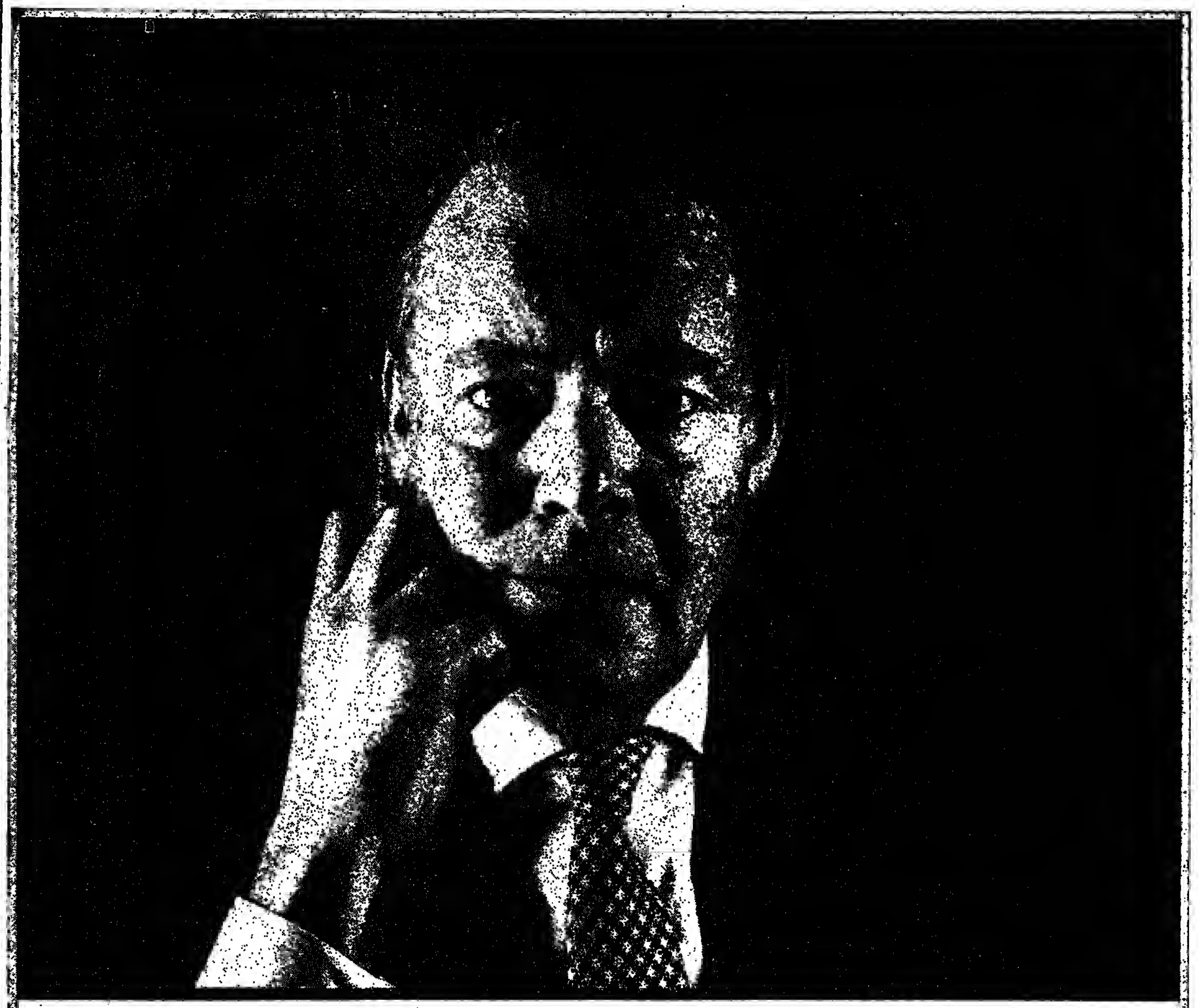
The proposal will be made when his mission reaches Europe at the end of the week. The mission will visit Brussels, Bonn, Paris and London. Its departure has been delayed from today until Friday.

Japan has a wisemen's committee with the U.S. It met in 1979 and 1980 and Mr Esaki said it had made a major contribution to improving communications.

Mr Esaki's mission will be explaining recent trade liberalisation measures Japan has taken. But in Washingtoo a fortnight ago, Mr Esaki was told that further action would be needed to head off trade friction. The message is likely to be the same in Europe.

● At a meeting of Japanese and U.S. trade officials in Tokyo it was agreed to set up a special group to consider issues involving the sale of U.S. farm products in Japan, AP-DJ reports.

Mr David Macdonald, the deputy U.S. Trade Representative, said Japan could pay "a high price" if it fails to open allegedly closed markets. The markets of concern were cited as nuclear energy, electronics, computers, fertilisers, pulp, farm products, cosmetics, medicine, tobacco products and medical equipment.



Monthly money supply best for two years

BY DAVID MARSH

THE GOVERNMENT yesterday received a Budget-day boost from the announcement of the best set of monthly money supply figures for more than two years.

Sterling M3, the broad measure of the money supply, was hardly changed after seasonal adjustment during the four weeks to mid-February, according to provisional figures announced by the Bank of England.

The lack of change was primarily due to the favourable state of the Government's finances, with the Exchequer recouping a further £500m to £750m in delayed taxes.

A cloud over these figures was, however, provided by fresh evidence of still buoyant loan demand from the private sector. Including the Bank of England's own lending activities through large purchases of commercial bills—estimated at close to £1bn last month—private sector borrowing from the banks is thought last month to have been between £1.75bn and £2bn, similar to the high figures of recent months.

The Treasury also announced yesterday related figures showing very low central government borrowing last month of £78m, thanks partly to continued recovery of taxes delayed earlier in the year by the civil servants' dispute.

Confirming earlier indications that central government borrowing for the entire 1981/82 financial year will be less than the Government's target, the borrowing figure for the first 11 months of the year fell to £8.14bn, from £12.04bn in the same 1980/81 period.

The civil servants' dispute is estimated to have added £2bn to the 11-month borrowing figure. Despite this, borrowing so far is more than £3bn below the March 1981 Budget forecast of £11.05bn for the full year.

The sterling M3 figures were the most favourable since December 1979, when the money supply fell.

In line with Sir Geoffrey Howe's announcement yesterday that the Government is setting targets for a wider variety of monetary aggregates, the Bank gave provisional figures for other definitions of the money supply.

The narrow measure, M1, fell an estimated 0.5 per cent last month while the broad measurement of public sector liquidity, PSL2, rose 0.5 per cent.

During the 12-month target period from February last year, sterling M3 grew 14.5 per cent against the Government's target of 6 to 10 per cent. M1 rose between 8.5 and 8.75 per cent, while PSL2 rose 12 per cent.

Outlining private sector borrowing last month, the London clearing banks in their monthly statement said yesterday their sterling advances to the private sector rose by an underlying £700m.

Detailing tax collection, the Treasury said central government borrowing in February would have been around £500m but for the recovery of delayed taxes last month.

For the first 11 months of the financial year, consolidated fund revenues—an important portion of Government receipts—grew 13 per cent, close to the planned 14 per cent rise forecast in the 1981 Budget.

Rapid car maintenance centre for London

By John Griffiths

THE FIRST of a planned national chain of fast, fixed-price car-servicing centres has opened in Walthamstow, East London. The privately-funded venture has been launched with Mobil Oil company's support.

Five such centres are planned for Greater London this year by Milex Service Centres. Milex is promoting itself as the "McDonald's of car-servicing."

Its joint managing directors, Mr Graham Campbell and Mr David Kaplan, want to introduce a servicing system already established in the U.S. and Canada, where both have acquired most of their business experience.

Mobil is not making a direct investment but is providing much of the centres' equipment and lubricant supplies. Mobil said yesterday it had confidence in the project.

Expansion beyond London will depend on initial public reception of the venture. Milex aims to provide an alternative to the conventional routine mileage/time-lapse service.

Examples of charges are £29.50 for a computerised engine tune-up and £9.50 for an oil-change. The oil-change service includes the cost of oil, filter, the topping-up of all fluids, vacuuming of interior and washing of car windows.

Users of the centres can watch the servicing operation from a glass-panelled waiting-room.

Milex intends to keep to the fixed price. Servicing includes replacement spark-plugs, points, condenser and, if necessary, new rotor-arm, plug leads and fuel filter.

Changes for unit trust commission

INTERMEDIARIES WILL no longer receive the top rate of commission for selling unit trusts unless they are members of a recognised professional body. This is the effect of new rules being proposed by the Unit Trust Association, details of which were received yesterday.

At present, the basic rate of commission paid by unit trust groups to intermediaries for selling unit trusts is 1¼ per cent. But members can pay a marketing allowance of 1¾ per cent to certain professional intermediaries, bringing the total to 3 per cent, when those intermediaries provide expert advice to clients.

The Unit Trust Association proposes to formalise payment of this marketing allowance and will propose at its annual general meeting on April 1 that eligibility be extended to registered insurance brokers; companies formed by stockbrokers under Rule 72; and members of the National Association of Security Dealers and Investment Managers (NASDIM).

The move aims to ensure that intermediaries selling unit trusts direct to clients have the necessary investment expertise and run their businesses to a high professional standard.

Higher vehicle production

VEHICLE production in February picked up from the depressed January levels, according to provisional estimates from the Department of Industry.

Car output, on a seasonally-adjusted basis, was 80,000 compared with 68,000 in the same month last year and 72,000 in January when it was affected by disputes at Ford UK plants.

The department points out, however, that production last month remained lower than in the second half of 1981 when there had been some improvement.

Commercial vehicle production in February, seasonally adjusted, reached 22,500 compared with 16,800 in the same month last year and 18,600 in January.

Austin Rover to take on marketing in BL reshape

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL is to extend the reshaping of its volume car operations, setting up an organisation called Austin Rover with Mr Harold Musgrove—once an Austin apprentice—as chairman.

The move, announced yesterday, marks the end of BL's worldwide sales and marketing arm, BL Europe and Overseas (Bleo). In January Jaguar took over its own sales and marketing and the volume car production company is to resume these operations.

Mr Tony Ball, chairman of Bleo, announced last week that he is to leave BL in the autumn. But Mr Ray Horrocks, chairman and chief executive of BL Cars, which includes both Austin Rover and Jaguar, said last night Mr Ball "will play a significant part in advising and assisting the implementation of this restructuring."

Mr Horrocks said the formation of Austin Rover, taking in the car operations previously grouped together as the light medium car division, "is in line with our strategy of using our product names not only on our cars but as part of our company identity too.

"It really would have been unwieldy to use all the product names in the company title so we have drawn together under Austin Rover the Morris, MG and Triumph marques, each of which will be applied to specific derivatives or model ranges.

"Jaguar will continue to develop its own distinctive and separate identity."

The restructuring means BL Cars has two separate subsidiary product groups, each with responsibility for the design, manufacture, sales and marketing of its product range.

Mr Musgrove, who was chairman of light medium cars, will as chairman of Austin Rover report to Mr Horrocks.

As a consequence of the changes, several sales and marketing appointments have been made.

Mr Trevor Taylor, one of Mr Ball's two deputies at Bleo where he was responsible for the home market, becomes Austin Rover's director for sales and marketing.

Mr Neil Johnson, previously in charge of sales and marketing of the European companies at Bleo, becomes Jaguar's director for sales and marketing.

BL Cars Commercial, with Mr Mark Snowdon as its director responsible to Mr Horrocks, has a widened brief to provide a forward product and market support service to both Austin Rover and Jaguar.

No London tubes or buses today

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE ONE-DAY strike by London Transport staff is expected to go ahead today as planned. No bus or tube train services will operate in the capital and travellers should expect "severe disruption," London Transport said last night.

The strike has been called by LT trades unions in protest at the doubling of fares on March 21.

All travellers were urged by LT to listen to their local radio station for travel information, but the choice of alternative routes to work would have to be made by individuals.

North London, with its more extensive tube network, is expected to be affected far more than south London, where the British Rail Southern Region commuter network is expected to operate normally.

Earlier, there had been suggestions that staff at some London Transport bus depots and garages might defy the strike call. London Transport, however, dismissed any prospect of this resulting in a limited service on some bus routes. Engineers and maintenance staff are needed to keep the buses running and drivers who do turn up for work are unlikely to find all the technical support needed to provide a normal service.

The Royal Automobile Club called on drivers to share their cars to reduce the effects of the disruption and congestion on many of the main roads into London.

"All the emergency car parks which were in use in the recent rail strikes will be open tomorrow," the RAC said.

● The Labour Party's National Executive Committee yesterday agreed to continue its support for "substantial public subsidy for public transport throughout Britain."

The NEC said Labour was determined to put an end to the "appalling decline" in the public transport network in many parts of the country.

"The Labour Party believes local communities must have the right to support transport services in order to meet the needs of their areas, and that it is primarily a matter for the local electorates to determine whether such policies are acceptable. To deny them that right, we believe, is a complete negation of democracy," the NEC said.

Japanese van sales hit by curb

By John Griffiths

SEVERAL Japanese dealer networks are facing a drop of 20 per cent, and possibly more, in the number of vehicles they can sell this year as a result of extensions to light commercial vehicles of the Anglo-Japanese "gentlemen's agreement" on cars.

Worst hit are Subaru, Suzuki and Daihatsu. All three have a strong dependence on commercials, which last year accounted for nearly 40 per cent of each company's total sales.

Subaru (UK) believes its allocation of light commercials this year could be reduced by up to 70 per cent. Suzuki and Daihatsu are expecting smaller reductions but all importers—including Bedford, which imports an Isuzu pick-up that is re-badged as a Bedford—are expecting cuts of at least one-third. Most importers, however, have higher volumes of car sales, so the impact on them will be less.

The consequence for the worst-hit importers has been a move to pick up additional franchises and step up used vehicle operations in an effort to compensate for business lost in commercial vehicles.

Suzuki (GB), which sold 2,533 cars and 1,012 commercials last year, admitted that its 48 dealers faced a "difficult" year. Like Daihatsu and Subaru, however, it did not expect to contract its dealer network.

Subaru could well have had difficulty sustaining its network of 100 dealers were it not for the arrival of Hyundai cars from South Korea. The Hyundai franchise has been taken up by International Motors, which also embraces Subaru (UK) and the Italian Maserati franchise.

About a third of the Subaru network has also been set up as outlets for the Hyundai.

Vosper Thornycroft to shed 360 jobs

FINANCIAL TIMES REPORTER

VOSPER THORNYCROFT, the leading British warship builder, has declared 360 redundancies and is expected to announce a further 200 to 300 in the summer.

The move is likely to be seized on by both shipbuilding unions and management as the first major example of the impact defence cuts have had on warship yards.

A brief statement released yesterday by Vosper, part of British Shipbuilders, avoided apportioning blame. It said simply that the company, which employs 5,600, had insufficient work to sustain full employment.

Last month Mr Robert Atkinson, chairman of British Shipbuilders, said the defence cuts could ultimately mean the loss of some 2,700 jobs in warship yards.

Privately, management blames a mix of factors—fierce competition from abroad, the recession, defence cuts and inefficient working practices.

But union leaders, who say they will fight the redundancies, have blamed the freeze on Royal Navy orders.

Mr Alex Shiers, chairman of of the local district of the Confederation of Shipbuilding and Engineering Unions, said: "Vospers Woolston yard is 100 per cent dependent at present on naval orders, but when the work is over there will be no more.

"Vosper is the most profitable yard within BS and the confederation is not just going to quietly sit down with the company and accept these cuts."

Vosper, which made pre-tax profits in 1980-81 of £24m and paid a £3m dividend to BS, has work stretching into 1985. But that workload is on a marked decline.

The company says some 300 jobs will be lost, but it has lodged a redundancy notice with the Department of Employment for 360 and it is known that a further bout of cuts will be announced in a few months' time. In both cases it will attempt first to shed the jobs through voluntary means.

The first wave of cuts, to take effect from the end of May, would be spread evenly across Vosper's Woolston, Portchester and Portsmouth yards, with one clerical staff job going for every 10 blue-collar posts.

The company is expected to attempt to use the redundancy threat as a means of pushing through new agreements on flexible working practices.

Improved park is success

THE NUMBER of visitors to Rufford Country Park, Nottinghamshire, has far exceeded forecasts in a 1979 report to the county council.

The report, commissioned by the council and the Countryside Commission and prepared by Coopers and Lybrand Associates, predicted that if the park's facilities were improved the number of visitors could rise from 80,000 in 1978 to 200,000 next year.

Following the opening of a craft shop and cafeteria and the establishment of craft workshop facilities, the number of visitors reached 351,000 last year.

The consultants recommended a new way of promoting the park, which is 25 miles outside Nottingham.

Rufford has always played second fiddle to the county's main recreational park, Sherwood Forest which, as long as 10 years ago, had severe car-parking problems at peak times. The development of Rufford has relieved some of the pressure on Sherwood Forest.

Challenge to Laker air routes grows

By Michael Donne, Aerospace Correspondent

THE BATTLE by Sir Freddie Laker to launch a new airline following Laker Airways going into receivership reaches a critical point on May 4, when the Civil Aviation Authority starts public hearings into his bid to transfer the Laker route licences to a new company, Brenpage.

The public hearings result from the fact that there have been several further applications for the routes and some objections to any transfer of the Laker licences.

The hearings could last several days, and the authority hopes to announce a decision by early June. This means Sir Freddie would not be able to start any new airline before then, even if he wins the necessary financial backing.

The authority said yesterday that Brenpage, set up by Sir Freddie, had not only applied to take over the Laker licences, but had also applied, as an alternative, for entirely new licences, including the North Atlantic air routes from Gatwick to New York, Los Angeles, Miami and Tampa.

The pattern of applications and objections is complex.

British Caledonian has applied for rights between Gatwick and Los Angeles, and between Gatwick and Zurich. Objections to these bids have been lodged by Brenpage itself, from British Airways in regard to Los Angeles and from Dan-Air over the Zurich route.

Dan-Air has also applied to serve both Zurich and Berlin, and British Caledonian is objecting to the Zurich application.

In addition, separate objections to any transfer of licences to Brenpage have come from Air Europe, Britannia Airways, British Caledonian, Orion Airways and Dan-Air. Air-Bridge Carriers also objects to any variations of the Laker cargo licences.

In addition, the application by Brenpage for entirely new licences will become subject to a 21-day period from today in which any other organisation or individual can object.

Thus, by the time the public hearings start on May 4, the list of objections and counter-appliations could grow.

The authority will expect to be given a detailed report of Brenpage's financial position, and details of its plans to operate, before it can make any decision on whether to award the company the necessary air operator's certificate and the route licences it is seeking.

No more cargo for Hull dock

THE British Transport Docks Board will no longer handle cargo at Hull's Alexandra Dock.

The board says the two-shift working system for dockers provides ample capacity at the King George and Queen Elizabeth Docks to deal with any foreseeable upturn in trade.

Insurance warning

THE Civil Aviation Authority is emphasising to all owners of private aircraft the need to be adequately insured, as a safeguard in the event of a crash.

The authority is pointing out that an aircraft owner is liable for material damage to persons or property on the ground caused by his aircraft or by anything that falls from it.

Job losses

STOKE ON TRENT engineering company, Birkett Billington and Newton, part of the William Boulton Group, announced 25 redundancies yesterday. The move is intended to provide job security for the remaining 170 workers.

Exports to high income countries help Crombie sales

Anthony Moreton looks at the survival techniques of a cloth maker

IT IS a matter of considerable satisfaction to Bill Logan that Crombie should be doing so well when the most important product made from his company's famous cloth—overcoats—is in decline.

Sales of topcoats have not only been hit by changing fashions, especially the trend towards more casual wear—particularly among men under 35—but because of heated offices and cars.

Crombie's success is doubly pleasurable to Mr Logan because it is selling at the top of the price scale. An overcoat made from 100 per cent cashmere might sell for about £500 in the shops, yet this does not appear to check sales.

Partly this is because the company increasingly has shipped its cloth abroad. Overseas sales account for about half its total output.

The markets to which Crombie has paid particular attention are the high-income ones: West Germany, Canada and the U.S. are the three leaders, with Italy and Japan important too. Perhaps it is a little surprising that the Soviet Union should figure prominently among its customers.

The Russians have always bought a lot of Crombie cloth and the coats are reputed to be very popular among members of the praesidium. They tend to continue to purchase the traditional 30 oz cloth favoured by army officers and business leaders after the war. Most other countries, including the home market, take a 23 or 24 oz cloth, making concessions to changed social conditions.

Crombie claims that its mill is the largest making woven cloth in Scotland. It employs 500 workers, and if this is a big drop from the 900 15 years ago it is also a measure of the extent to which machinery has replaced manual operations.

The mill is in a 130-acre site bordering the Don in Aberdeen. The location allows ample room for expansion and affords fishing for visitors, an amenity the Russians in particular enjoy. Unfortunately the company has only trout rights, but a neighbour from time to time makes salmon fishing available for the company and its clients.

Crombie has been there for the last 124 years. It was formed in 1805 by John Crombie together with James Knowles, and sold to Salts of Saltaire in 1924. This was taken over by Illingworth Morris in 1958. Eight years later Mr Logan arrived from university in Glasgow where he read French and German.

Unusually in the Scottish textile industry, Crombie is a completely vertically integrated concern, but its main business is weaving cloth. "When overcoatings began to decline, we started making jacketings," Mr Logan says. "More recently we have moved into cloth for lines such as scarves, rugs, tweed suits and for ladies' clothes.

"We only moved into scarves three years ago, but already they bring in over £1m a year."

The mill's strength arises from its use of cashmere. In a good week it can process up to two tons of the wool, which comes from the undercoat of a goat and costs about £80 a kilogram.

It is so expensive because the best quality wool comes from goats found only in the two Mongolias or China. Not only is the product difficult to obtain, but because China increasingly is tending to hold on to its own crop for internal use.

Far Eastern manufacturers have kept away from cashmere because of the cost, and this has helped Crombie to consolidate its position in world markets. It has also been helped by the withdrawal of many European producers from this market.

In spite of the cost, demand for cashmere-based cloth has not shrunk. Crombie tends to find buyers more easily for its top grades, such as 100 per cent cashmere, than for a 50-50 mix with lambswool. The second most popular grade is a 10 per cent cashmere and 90 per cent wool mix, when buyers think they are getting something a little out of the ordinary.

Partly to offset the drop in its traditional markets, Crombie moved into knitwear yarn in the mid 1960s. "This has become an important part of our business," according to Mr Logan. "We now supply yarn to many of the leading knitwear manufacturers in Scotland, including a lot of our competitors, such as Lyle and Scott, Wolsey, part of the Courtaulds group, and Pringle, part of Dawson International. This proves to us that we can stay ahead of the business."

Staying ahead is important where the company does not make the final product. To get its cloths accepted, it frequently has to go over the head of the manufacturer to convince the consumer that a Crombie suit or coat is worth buying.

To a considerable extent, the company is swimming with the tide. In many quarters the name Crombie is synonymous with an overcoat. Mr Logan wants to extend this association between cloth and consumer even further.

"Brand names are all important these days. A brand name is the only thing that will keep many manufacturers in busines today. Look at the way in which names are now promoted.

"In America the market is all about names, people like Klein and Cardin. Then there are Yves St Laurent and Quant.

"Three years ago we started advertising directly to the consumer in Britain and now we are going to do this in other main markets. We want consumers to go out and ask for a Crombie. We are pinning our hopes on versatility, quality and brand."

Crombie is looking for other ways of marketing its name and has tested a tie with its name on it in Japan. Other ideas are to put the Crombie label on trousers and sports blazers, none of which necessarily would be made of Crombie cloth.

The heart of the business will remain cloth weaving, however. If it is to stay ahead, it needs to invest more. A walk around the factory reveals some aged machinery.

Crombie does not publish separate accounts, although Mr Logan says it is a net contributor to the group. Unfortunately, Illingworth Morris is deeply in debt. It lost money last year and is fighting to repay heavy borrowings.

Trevor Kitchen, the other managing director at Crombie, who is responsible for the production side, has kept production flowing by buying recent secondhand machinery from companies that have gone into liquidation and, when needed, rebuilding the equipment. There are limits to which such a policy ought to go if the company is to stay ahead.

These makeshift operations do not appear to have harmed Crombie, although only the Illingworth Morris executive management in Bradford knows the real cost of them. Up in Aberdeen, they are fully conscious of the policy the company has to take to stay ahead. They have to brand their name on people's consciousness. They appear to be having some success with such a policy.

Shipping case sets precedent

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE International Transport Workers Federation has failed to rid itself of a pending damages claim for 199,318 Swedish kroners, £19,010, being brought against it by a Maltese shipping company in the UK courts.

In a judgment with wide implications for the federation and the flag-of-convenience shipowners against whom it carries on a running battle, the Commercial Court ruled yesterday that the agreement on which the claim by Monterosso Shipping Company is based was governed by Spanish law and not, as the federation had argued, by English law.

Paradoxically, the decision means that the UK action can go ahead. If the federation had been successful, the action would have been barred by the 1974 Trade Union and Labour Relations Act on the ground that the agreement was not intended to be legally enforceable.

The federation is considering appealing.

On November 4 1980, Monterosso signed in Bilbao the federation's special agreement, agreeing that the employment terms of the crew of its ship Rosso would accord with the federation's standard terms.

Six days later the Rosso was boycotted in the Swedish port of Wallhamn by the Swedish seamen's union—a federation affiliate—because of a previous dispute with the vessel's Swedish managing agents.

Monterosso started legal action in the UK, claiming damages and a declaration that it was entitled, as a result of the Bilbao agreement, to be issued with the federation's "blue certificate," protecting it against industrial action.

The federation's defence included an assertion that the agreement had been signed without its authority because it did not deal with the Swedish dispute.

Ruling on the preliminary issue, Mr Justice Mustill said that Monterosso argued that the very fact that the agreement was unenforceable under English law pointed to it being governed by Spanish law, otherwise it would have no legal effect.

The federation argued that the natural forum for any claim against it was the UK, where it had had its headquarters for 40 years. The fact that the agreement would be unenforceable in the UK indicated that it was not intended to be legally enforceable at all.

The judge said that whatever the federation's intention might have been, Monterosso could not have intended to give up all legal remedy, just because the agreement could not be sued upon in the UK.

Teachers' union suspends protest action over pay arbitration

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE largest British teachers' union yesterday suspended the industrial action in metropolitan areas due to begin tomorrow. The decision of the National Union of Teachers follows a split in the employers' side on whether this year's pay award should go to arbitration.

NUT members in major cities in England and Wales will not be urged to refuse to supervise school meals and not to take part in staff or parent meetings outside normal school hours.

However, members of the second-largest union, the National Association of Schoolmasters — Union of Women Teachers, still intends to begin its industrial action in all areas tomorrow, though the union will meet then to discuss future tactics.

The NUT's partial lifting of its action follows a statement by the Labour - dominated Association of Metropolitan Authorities, reqnesting a special meeting of the management side of the Burnham negotiating committee to recommend that the teachers' pay dispote be put to arbitration immediately.

The statement has led to confusion on the management side, and provoked anger among lesders of the Association of County Councils, where the NUT action will still be enforced unless the ACC nationally or individual authorities follow the AMA's lead.

The full management side meets next week. The AMA controls 10 seats on it, the ACC 13, and Welsh education authorities two seats. The crucial balance is held by the Department of Education, with 15 seats, and department officials will today tell the management side of the panel of their response to the AMA's announcement.

Mr Alistair Lawton, chairman of the management side, said yesterday that the split from the previously unanimous management side of refusing to allow the issue to go to arbitration was "little short of despicable."

However, Mr Fred Jarvis, NUT general secretary, welcomed the AMA decision as "a major step forward. Let us hope that it will result in the pay dispute being quickly referred to arbitration."

The third largest union, the Association of Assistant Masters and Mistresses, also announced it was suspending its proposed action in all AMA areas, and in Derbyshire, Nottinghamshire and Oxfordshire, which had all also supported arbitration.

Steel plant strike talks likely today

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A DISPUTE over working practices which led to a strike by 3,000 workers at British Steel's Ravenscraig plant on Monday is expected to be discussed at high level talks today.

Mr Bill Sirs, General Secretary of the Iron and Steel Trades Confederation, who came to Scotland to bear the complaints of the workers at Ravenscraig, is expected to see Mr Peter Allen, head of the steel strip division.

Mr Allen is in Scotland to attend a meeting of the sheet steel trade board in Dunblame. The meeting was suggested in a letter to Mr Sirs from Mr Ian MacGregor, chairman of British Steel.

Mr Sirs accused British Steel of violating agreed negotiating procedures by unilaterally introducing flexible working practices on Monday after failing to get union approval.

Mr Len Raby, Scottish director of the strip works, introduced the measures, saying they were vital for the survival of the plant. Urging a quick agreement, he said that the works were running out of time.

The plan, known as the lump sum bonus, brings in flexible working bours and involves a reduction of about 600 in the Ravenscraig workforce. British Steel officials say about 300 of these workers have already left the plant.

The flexible manning agreement applies to other British Steel plants in Britain, but the introdoction was to be negotiated locally in each case.

The half of the workers at Ravenscraig who are not members of the confederation agreed to the plans on Sunday. The confederatioo says it is ready to negotiate all the provisions but insists that British Steel get back to agreed negotiating procedures.

A key issue for the confederation's workers is the honus paid for "light" manning, wbicb they say will be eliminated under the new practices. Workers used to be paid part of the salary of missing workers if they agreed to work with less than the specified number of men.

Council rejects call to reinstate dinner ladies

BY JOHN LLOYD, LABOUR EDITOR

WALSALL COUNCIL has voted to defy the direction of an industrial tribunal to reinstate four dinner ladies sacked last year for refusing to join a closed shop.

The four women—Mrs Wendy Clifft, Mrs Gloria Price, Mrs Irene Russell and Mrs Doris Todd—will go back to the tribunal on March 22 to obtain a judgment on the compensation the council must pay.

Mrs Todd said yesterday that she and her colleagues were disappointed with the council's decision. "We would rather they gave us our jobs back so all this would be over. A lump sum in compensation is one thing, but I would rather have my wages every week."

The council's decision was taken in spite of a letter to the four women from the Prime Minister last week in which Mrs Thatcher said: "I trust the universal condemnation which Walsall Council's action has attracted will make them realise that the only proper course open to them now is to ensure that you can return to your jobs."

Conservative Councillor Ted Moormao told the Walsall Council meeting on Monday night that Labour councillors should be surcharged for the compensation to be paid. He said: "It's not right that the innocent people of Walsall should bave to pay the penalty for a policy they do not want."

However, the ruling Labour group has received a report from the Walsall chief executive which effectively rules out the possibility of the district auditor imposing a surcharge on councillors.

Urgent bid to end Irish ferry blockades

By Robin Reeves, Welsh Correspondent

URGENT EFFORTS were being made behind the scenes yesterday to try to defuse the confrontation between Irish and UK workers over the Holyhead-Dublin ferry services.

The clash followed the refusal of Sealink's Holyhead employees to handle B & I's proposed new service at the Welsh port. Irish seamen retaliated by using a B & I vessel to blockade Dun Laoghaire barbour, Sealink's Irish terminal, on Monday evening.

The Sealink ferry St David was allowed to dock yesterday morning after the captain radioed that one of his 400 passengers required urgent medical treatment.

Even so, there were no signs of an immediate end to the dispute as the St David returned to Holyhead and a B & I ferry set off for the Welsh port to try to start its new service.

There were even suggestions that the confrontation could spread to other British and Irish ports.

Workers at Holyhead port—owned by Sealink—fear that the introduction of B & I's competitive service will undermine jobs. All 10 unions at the port have agreed to fight the planned new service by refusing to handle any B & I vessels.

Sealink says it is legally obliged to operate an "open course policy" and allow B & I to use Holyhead.

Nurses offered 6.4% increase

THE NATIONAL Health Service yesterday offered pay rises averaging 6.4 per cent to Britain's 500,000 nurses.

Talks on how the offer would be distributed between grades of staff were continuing last night between management and the unions in the Nurses and Midwives' Whitley Council, the national negotiating body.

Merit pay urged for civil servants

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT bas suggested linking Civil Service pay to performance by introducing a merit payment scheme. This would reward staff who performed well and penalise those whose work fell below a required standard.

In evidence to the inquiry on Civil Service pay cbaired by Sir John Megaw the Treasury suggests that to achieve this aim a greater degree of discretion could be introduced to the present system of incremental payments.

It suggests a merit pay scheme based on incremental scales might allow rises to be withdrawn or withbeld, for the payment of double increments for exceptionally good performance and for additional increases for staff who reached the maximum point.

The Treasury's paper, bowever, acknowledges that the scope for withdrawing increments is limited. It suggests a cut-off point, in the marking of civil servants in their annual reports, below which increments could be withdrawn or withheld. Figures in an appendix show, however, that only 1 per cent of civil servants are marked at this level.

The Treasury also accepts there could be legal difficulties in introducing a merit payment scheme. While such arrangements could be brought in for new or newly-promoted staff as part of their conditions of service, existing staff would bave to be offered the alternative of retaining their present increments and scales.

The Treasury notes, however, that because a refusal to accept such a scheme would he treated by the Government as rendering staff ineligible for any annual pay increase there would be an obvious incentive for staff to agree to the arrangements.

The Treasury is concerned aboot the cost of bringing in a merit scheme. For merit awards to be of a sufficient size to improve motivation, on the basis of a nil cost scheme there would bave to be a significant reduction in the pay of others.

The paper says some kind of ceotralised body would have to be set up to assess merit, and an appeals procedure. This would create "significant additional administrative costs with extra staff required in personnel areas."

Another paper, on Civil Service job security, shows that redundancies in the Civil Service were generally lower last year than in other employment.

The rate of Civil Service redundancies last year was about the same as in 1980, even though the rate of non-Civil Service redundancies increased sharply.

The Treasury says "public confidence requires that any pay system which includes external comparisons gives adequate weight to relative job security."

OBITUARY

'Rab'—Baron Butler of Saffron Walden

IN A political career spanning 35 years Baron Butler of Saffron Walden, who has died at the age of 79, held nearly all the major offices of state and played a decisive role in re-moulding the modern Conservative Party. Yet despite his supreme administrative gifts the highest position of all —the Premiership—repeatedly eluded him.

In 1957 he was passed over in favour of Mr Harold Macmillan and in 1963 in favour of Sir Alec Douglas-Home. These two failures remain the central enigma in the career of this often enigmatic man.

It seems that Richard Austen Butler (Rab to everybody) lacked the real killer instinct that is so often necessary to gain the summit of power. Indeed, Butler tacitly admitted as much when he commented on the sacking of a third of the Cabinet by Macmillan.

"I think a Prime Minister bas to be a butcher and know all the joints," he observed sadly. "That is perhaps where I have not been quite competent, in knowing all the ways in which you cut np the carcass."

As head of the Conservative Research Department he persuaded the party to accept the social revolution that followed the war. In 1944 be drew up the Education Act which set the pattern for decades to come.

By temperament he favoured gradual reform and was fond of quoting Dicey's phrase in praise of our "inveterate prejudice for fragmentary and gradual legislation."

It was not uncommon for him to be under attack from the right wing of the party and at such times he comforted himself by reflecting on the long and respectable lineage of his political philosophy. From Bolingbroke be derived the belief that the state should be used in the interests of the many, from Burke the necessity of balancing conflicting interests and from Disraeli an insistance that the two nations should become one.

Butler came from a family which had distinguished itself in the Civil Service, the Church and education. His father, Sir Montagu Butler, had been Governor of the Central Provinces in India and Master of Pembroke College, Cambridge. Butler was born in India in 1902 and the sub-continent had a strong formative influence on him.

With the outbreak of World War I he returned to England, attended Marlborough and went on to Pembroke to take first-class hooours in modern languages and history. After three years as a fellow at Corpus Christi, Cambridge, he was elected as Conservative Member for Saffron Walden in 1929.

His rise was rapid and by 1932 he was Under-Secretary for India. In 1938 be became Under-Secretary at the Foreign Office where he played a prominent part in Neville Chamberlain's policy of appeasement towards Hitler. Throughout this period Butler was completely loyal to the policy and often defended it from the despatch box in the Commons.

When criticised in later years Rab countered with the argument that such a course was unavoidable because Britain was not prepared for war, French morale had collapsed and Russia could not be relied upon to fight against the Nazis.

In the re-shuffle that followed the outbreak of hostilities and the coming of Churchill, Butler moved to the Ministry of Education.

With the end of the war came the catastrophic defeat for the Conservatives and the landslide Labour victory of 1945, a Conservative debacle that Rab had been one of the few in his party to prophesy.

Unabashed by this setback he methodically set about restoring the party's fortunes.

BARON BUTLER
Master of Trinity College, Cambridge

By 1946 he was starting to set a new course for the party and was warning the die-hards that they could no longer "sit in entrenched positions or rely on bolding old-fashiooed fortresses."

He accepted the post-war situation and repudiated extreme laissez-faire economics. His programme entailed redistributive taxation and acknowledged the role of the State as "trustee for the interests of the community and a balancing force between different interests."

All of this was anathema to the right-wingers who condemned it as "Pink Socialism," but Rab was undeterred and merely observed that intellectually it did not trouble him in the least.

In 1947 came the first and most important of the Conservative policy documeots, the Industrial Charter. It recognised the central role of Government and accepted that a Conservative administration would maintain strong central guidance over the economy. It was followed by other charters and all of them were embodied in the 1950 election manifesto.

The opportunity to put the theory into practice came in 1951 when Butler was appointed Chancellor of the Exchequer.

The first big crisis of his career came with the Suez episode of 1956. In private Butler opposed the military action against Egypt but in public be supported Sir Anthony Eden, the Prime Minister. When he eventually spoke out by revealing some of the harsh economic realities at a Conservative meeting there was an immediate and bitter reaction from the right wiog.

As the Suez policy collapsed and Eden became sick it was left to Butler as Lord Privy Seal and Leader of the House to perform what he termed "the odious duty" of withdrawing the troops and restoring confidence in the pound.

The frustrated Conservative anger for which he became the target was one of the main reasons why he was not chosen to succeed Eden.

The second crisis of his career came in the autumn of 1963 when Macmillao abruptly resigned through ill-health on the eve of the annual party conference. An early opinion poll showed Butler well ahead in the leadership race followed by Hailsham, Reginald Maudling and Sir Alec Douglas-Home (now Lord Home) in that order.

When it was realised that Douglas-Home was to be appointed, a small opposition group of leading Tories including Iain Macleod, Reginald Maudling and Enoch Powell emerged. Powell has dramatically recorded how they put a gun in Butler's band and how he declined to pull the trigger. Butler claimed that his support had gradually eroded and that, anyway, Macmillan had chosen to ignore these powerful objections and recommend Douglas-Home come what may.

The truth of the matter seems to be that Rab had no stomach for the bitter party strife that would have followed had he accepted the backiog of the dissidents and fought it out with Douglas-Home. He observed phlegmatically: "One cannot alter one's nature. I had always worked for the unity of the party and I did so on this occasion."

From then on his life ran in quieter channels. From the end of 1963 through 1964 he was Foreign Secretary and later shadowed the post following the Labour victory of 1964. In 1965 he left politics and became Master of Trinity College, Cambridge. He retired from this post in 1975.

In recent years he remained active in the House of Lords. With characteristic independence, in March 1980 he led the attack which defeated the Conservative Government's proposals to introduce charges for school transport.

In a typical elliptical Butlerism on that occasion he declared: "Politics is not all intellect—politics is largely a matter of the heart."

In May last year he was severely critical of the Government for failing to implement the recommendations of a committee on the treatment and discharge of mentally-ill offenders in prisons.

Despite disappointments Rab was a nappy man who obtained a deep satisfaction from his life's work. He probably spoke his own epitaph when be declared: "I would always recommend a young man to go into politics. I cannot think of a bigher profession. I am proud at any rate—whatever happened to me about office—that I served my own countrymen."

FT COMMERCIAL LAW REPORTS

Discharge costs after ship's collision

WESTERN SEALANES CORPORATION v UNIMARINE SA

Queen's Bench Division (Commercial Court): Mr Justice Goff: March 3 1982

A TIME-CHARTERER who is responsible for discharging costs at a designated port of discharge, is not responsible for costs incurred in discharging at an undesignated anchorage if he does not order the discharge and has no obligation under the charterparty to do so.

Mr Justice Goff so held when giving judgment for the defendants, Unimarine SA, time-charterers, in a claim by the plaintiffs, Western Sealanes Corporation, shipowners, for expenses incurred in discharging the vessel, the Pythia, following a collision just short of the discharging port. The owners succeeded on a claim for hire in the same action.

* * *

HIS LORDSHIP said that the time-charterers chartered the Pythia from the owners to carry goods to Khorramshar on the Shatt-al-Arab. A time-charter was a charter under which owners placed their ship and crew at the disposal of time-charterers, the master being subject to the time-charterers' orders within the limits established by the contract.

Under clause 8 of the charterparty, which was on the New York Produce Exchange form, the time-charterers were to discharge the cargo at their expense under the supervision of the master.

On September 15 1978, the ship was loaded with steel coils and it sailed for Khorramshar. Bills of lading were issued under which the owners were bound to discharge goods into lighters at anchorage and forward them on to Khorramshar.

The vessel lightened at an anchorage at the entrance of the River Shatt and was proceeding up the river to discharge the balance of the cargo at Khorramshar, when she collided with a Russian ship.

She suffered heavy damage and went aground. Navigation in the river was controlled by the Common Bureau of Co-ordination (CBC), who laid on barges to shift cargo from the ship. She was refloated and proceeded back to anchorage at the mouth of the river, having been ordered there by the CBC. She was not allowed to proceed up the river to Khorramshar in her damaged condition.

The question was, what was to be done with cargo still on board? The owners and the time-charterers disagreed as to who was responsible for obtaining barges for discharge of the remainder of the cargo at the anchorage. The owners took the view that the vessel was at her discharging place and that under clause 8 of the charterparty discharge was the time-charterers' responsibility. The time-charterers said that the responsibility rested with the owners on the basis that the voyage was not yet complete.

It was in the parties' common interests to get on with the job as quickly as possible so they agreed that each should put up funds to their joint agents, to cover the cost, and the ultimate responsibility would be settled later.

Discharge into barges at the anchorage was completed and the owners claimed reimbursement of expenses from the time-charterers, giving credit for $138,200 contributed by them under the funding agreement.

The time-charterers denied liability and claimed to recover the $138,200 on the ground that they were never legally responsible for the discharging operation at the anchorage.

The owners submitted, first, that the time-charterers gave orders under the charterparty for a new place of discharge, viz at the anchorage, and so were responsible under clause 8 for the full costs of discharge.

It was plain from the Court of Appeal decision in the *Aquacharm [1982] 1 Lloyd's Rep 7* that time-charterers' discharging obligations generally only applied to discharging at the designated discharging place. If discharging was necessary in the course of the voyage, then *prima facie* the cost fell on the owners.

When the ship became involved in the collision, that did not have the effect of frustrating the charterparty. The owners were still under an obligation to comply with the time-charterers' orders to carry the goods in the chartered ship to the designated port of discharge.

The question was whether the time-charterers designated the anchorage as a new discharging place under the contract, so as to render themselves responsible for discharging the remaining cargo there.

They did not. There was no such express order. The time-charterers simply recognised that the only sensible course was for the owners to discharge the goods at the anchorage into barges to be carried on to Khorramshar. That recognition was coupled with an assertion that the time-charterers were not responsible for supplying the barges, which was inconsistent with their having ordered a new discharging place.

The owners' second submission, in the alternative, was that if the time-charterers did not give orders for a new place of discharge, they committed a breach of contract and the owners could recover damages.

Generally speaking, time-charterers were under no obligation to order discharge at a different place from that already designated. Under the bill of lading contracts in the present case, there were transhipment clauses (permitting transhipment of the goods and their on-carriage by other means) and Caspiana clauses (permitting discharge in certain circumstances at a place other than the contractual destination). It followed that the time-charterers were under no obligation to issue orders for a fresh discharging place.

The owners' third submission was that the bill of lading contracts imposed on the owners a heavier duty than that imposed under the charterparty, in that they were bound to discharge the goods into lighters and forward them to Khorramshar, and the owners were therefore entitled to an indemnity from the time-charterers.

Under the bills and the charter the owners' fundamental obligation in relation to the carriage of goods was to carry them to Khorramshar by all reasonable means. The owners' obligation was therefore fundamentally the same under both forms of contract.

The fourth submission was that the owners were entitled to remuneration from the time-charterers on a *quantum meruit* basis. Mr Diamond, for the owners, based that submission on two facts: that the time-charterers had assented to discharge into barges at the anchorage; and that in consequence, they had received a benefit in that they were spared their ordinary discharging costs.

The owners' primary obligation under the charter was to carry the goods in the chartered ship to the designated discharging place. The time-charterers acquiesced in their performing that obligation by discharging at the anchorage and on-carrying the goods in barges.

In those circumstances there was no request by the time-charterers to perform the service of discharge and on-carriage sufficient to ground a *quantum meruit*.

The time-charterers were entitled to recover $138,200 paid by them under the funding agreement.

For the owners: Anthony Diamond QC and Simon Goult (Ince and Co).

For the time-charterers: Gordon Pollock QC and M. N. Howard (Lloyd, Denby Neal).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

THOSE WHO have backed Ekhalco down to near favourite for next week's Champion Hurdle will be more anxious than most that the unfamiliar names of Offleyrock, Mad For Action, Deep Love, and Optimum figure prominently at Bangor on Dee today.

These jumpers are all stable-mates of David Gouding's outstanding Festival hope and both he and Roger Fisher, the gelding's handler, will hardly be looking to next week's showpiece with confidence if there is a "whitewash" today.

This afternoon, both Mad For Action and Deep Love look capable of putting Ekhalco's supporters in a reasonably relaxed frame of mind.

Mad For Action, who has been brought along steadily by Fisher, has improved almost out of recognition since he put in an encouraging display at Newcastle on February 20 and it will be disappointing if he cannot take advantage of the 4 lbs he receives from the fully exposed Normandy Lad in the Llanymynech Handicap Hurdle.

Later on, Deep Love—Goulding's selected mount in the Chirk Novices Hurdle—should have only stable-mate Optimum to fear now Jim Old has withdrawn the promising Hope End.

Peter Scudamore—whose persistent approach in the Jockeys' Championship must now be worrying even Francombe—will, I hope, get another winner nearer on Saldatore in the Wrexham Novices Chase in which Fisher saddles the erratic Offleyrock.

At Catterick, Swift Albany bids to repeat his success of a year ago in the Newbury Handicap Chase. The consistent eight-year-old seems sure to go well without, perhaps, proving up to conceding nearly a stone to Sea Merchant.

BANGOR ON DEE
2.30—Sparkford
3.00—Mad For Action***
3.30—Saldatore
4.00—Braven
4.30—Deep Love

CATTERICK
2.15—Sancolito
3.15—Cockle Strand
3.45—Ardar**
4.15—Sea Merchant*

GARDENS TODAY

A path through the thorns

BY ROBIN LANE FOX

SCARED by our recent winter, I am taking a new interest in thorn trees. Until last year, thorns were the family which I always skipped in the catalogue.

Horticulturally most of the best things happen early in the alphabet. Under the letter C, I would linger on ceanothus, and then skip to my favourite grey-leaved cotoneaster. I would long for a white flowering cornus and hurry on to Daphne after hunting in vain for a respected friend's top tip among shrubs for a warm south wall, the variegated coronilla.

This year, I ran the coronilla to ground with Hilliers just in time to buy and plant one before the first great frost. It died immediately. This variegated shrub is even less hardy than its grey-leaved parent form, the better known glauca. One warm winter will send me hurrying after it again but for the moment, my fingers have been frosted and I am placing some very safe bets. C, at the moment, means the indestructible crataegus, the botanist's name for our hawthorn, blackthorn and whitethorn.

Their popular names are rather puzzling. The Hungarian hawthorn sounds pleasant enough, but the Americans have their pet names for two others called Azarole and Pomette Bleue, while I think I am right in spelling their close relation the Yellow Haw. They sound like a blonde and a blue rinse lady, but I now find them tough and desirable trees, members of a family which the Royal Horticultural judges have honoured with AGM's and First Class certificates. Few of us realise how very good these small trees are.

I have yet to find a better one than the tree which I located last autumn with a friend who was looking for a larger house. The house was unsaleable and the garden was a glorious riot of ground elder and mishapen fruit trees, except for a single, broad headed thorn. Seen in its full autumn finery, crataegus prunifolia persuaded me that it is a tree for small gardens. I defy you to kill it so long as you give it water in its first summer. I doubt if there are many brighter trees.

Prunifolia spreads into a wide head of branches which will droop forward in a craggy fashion and almost touch the ground. The width is 20 feet, the height rather less. The trunk has the twisted look of its close relation, the May, and when out of leaf, the outline is gnarled and tough. In season, the leaves are smooth and a strong shade of dark green, toothed at the edges of their rounded forms. You would almost expect them to be evergreens.

In June, the flowers of pink and white cover the branches. In autumn, the leaves take over, turning a warm crimson to match the heavy crop of rich red fruits. In mid-October this admirable tree is doubly attractive, alight with fruits and changing leaves. The fruits, I think, drop quickly before the birds can attack them. In winter, your prunifolia will be bared to the weather, but will never object to the worst British frost.

Nobody knows when this form began its life, but the judges have given it an Award of Garden Merit and I doubt if there is a better garden form in the family. Others surpass it in flower or in the duration of their fruits, but it beats them on leaf and shape and levels up the score. If you trust me no more than usual, you can see some splendid prunifolias at Kew, especially the group near the rose garden.

To call a tree suburban is usually to damn it, but I think the best known crataegus, or May Tree, is one of the sights of suburban Britain when in full flower. There are several ways of using it. I always remember a line of semi-standard May trees down the edges of a path through the vegetable garden which adjoined my first home. They were clipped lightly after flowering and kept to a light head of branches and a height of six feet, hidden in pink and white flowers in early summer. Being British, our May Trees tend to arrive by late delivery and flower, with apologies, in June.

You cannot hold that against them. If you buy a full standard tree and allow it to develop, you would agree with me that the most beautiful Mays are the red flowered forms and that the best red is still the double Paul's Scarlet. The double petals last a little longer and the density of flower is wonderful. Please remember the May before you plant another double pink cherry. Its colour is more subtle and its leaf is not so gross. It thrives in towns.

The thorn's home territory is North America where different species have been found by the hundred, a richness which no one garden could contain. In the wild they crossed with one another and sprouted freely from seed. In captivity the seed is still the better way of raising a crataegus, though I presume that most nursery stock has been grafted for quicker results.

The seeds are very hard and should be soaked for a day in a thermos of hot water before sowing. Then you must dry them and expose them to a hard winter or a spell in the fridge. Only after a warm spell followed by cold will their coats take up water and allow the plant to sprout. Thorns from seed are bothersome, but worthwhile.

Among the oldest known American varieties, the crown of thorns still goes to the so-called Cockspur or Crus-Galli. This long-known tree has many of the merits of prunifolia, but its branches are held more horizontally and its fruits will often last well into the winter. In October, the fruits and leaves combine in a show of brilliant scarlet, one of the brightest available, for a lime soil. In June, you enjoy the pink white flowers, shaped like a hawthorn's and freely produced.

Only their scent tells against them for the crataegus is visited by flies which fall for the smell of decaying meat. At their full height, the smell should not trouble you, for it does not drift off the tree. In return for the flowers, fruits and leaves, it is a small price to pay.

TELEVISION

Chris Dunkley: Tonight's Choice

The lollipops are ITV's **Minder**, which is written tonight by the series' creator, Leon Griffiths, and, as we have now come to expect, includes several interesting bits of casting, including Kika Markham as an attractive young widow and Michael Medwin as a doubtful bookie; and for those still keeping the faith, **MASH** on BBC-2, in which Hawkeye volunteers for front-line duty to escape the company of a visiting surgeon.

Radio 3 offers a stereo concert from the Barbican, with Ashkenazy playing Prokofiev's Fifth Piano Concerto in the first half, and the LSO under Abbado (who performed with great vigour at the opening concert) playing Brahms's Symphony No. 1 at 8.05. BBC-2's **Chronicle** observes the results of China's big archaeology drive under Chairman Mao, showing finds which cover a time span of 2,400 years from 1500 BC, including two bodies from the time of Christ. Because of the nature of their burial and their protection from bacteria, they have remained intact and medical archaeologists have been able to make detailed analyses of age, stature, and cause of death.

BBC 1

6.40-7.55 am Open University (UHF only). 9.05 For Schools, Colleges. 10.00 You and Me. 10.15 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Postman Pat. 2.01 For Schools, Colleges. 3.05 Songs of Praise. 3.40 Play it Safe! 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Pixie and Dixie. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 Grandad, starring Clive Dunn. 5.35 Ivor the Engine.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 Rolf Harris Cartoon Time (London and South East only).
7.25 Wednesday Film: "Sky Heist," starring Don Meredith and Stefanie Powers.
9.00 News.
9.25 The Budget: The Rt Hon Peter Shore, MP for the Opposition.
9.35 Sportsnight: World Figure Skating Championships; Athletics — International Golden Gala.
10.58 News Headlines.
11.00 Parkinson meets Alan Whicker.

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
12.30-1.20 pm Open University.
3.35 Landscapes of England.
4.20 The Circus Moves On—In Calabaria.
5.10 Riccio: Bronze Statuettes.
†5.40 Laurel and Hardy in "Them Thar Hills."
6.00-6.45 The Water Margin.
6.45 The Making of Mankind.
7.35 News Summary.
7.40 The Master Game.
8.10 Chronicle.
9.00 M*A*S*H.
9.25 Nancy Astor.
10.15 Out of Court.
10.45 The Budget: The Rt Hon Peter Shore MP for the Opposition.
10.55-11.45 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Windfalls. 12.10 pm Rainbow. 12.30 Movie Memories. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Take the High Road. 2.00 After Noon Plus with Mary Parkinson and Kay Avila. 2.45 The Sandbaggers. 3.45 Definition. 4.15 Dr Snuggles. 4.20 Animals in Action. 4.45 Murphy's Mob. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life: Eamonn Andrews has a surprise for another unsuspecting guest.
7.30 Coronation Street.
8.00 Starburst.
9.00 Minder, starring Dennis Waterman and George Cole.
10.00 News.
10.30 Budget '82: The Shadow Chancellor, Peter Shore, speaks on yesterday's Budget.
10.40 Midweek Sports Special.
11.40 Barney Miller.
12.20 pm Close: Sit Up and Listen with Ann Todd.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 6.00 About Anglia. 11.40 Love American Style. 12.05 am The Big Question.

BORDER
1.20 pm Border News. 5.15 Radio. 6.00 Lookaround Wednesday. 6.30 P.P.B. (SNP). 11.40 Border News Summary.

CENTRAL
1.20 pm Central News. 5.15 Radio. 6.00 Crossroads. 6.25 Central News. 11.40 Replay: The Untouchables — "The Gun of Zangara," starring Robert Stack.

CHANNEL
12.30 pm Election '82: The Guernsey Election for Deputies. 1.20 Channel Lunchtime News, What's On Where and Weather. 5.20 Crossroads. 6.00 Channel Report. 6.35 Bailey's Bird. 10.28 Channel Late News. 10.32 A Chance to Meet . . . Jasper Carrott. 11.40 Paris by Night. 12.10 am Epilogue followed by News and Weather in French.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News, presented by Barrie Redlem. 6.00 North Tonight. 6.30 Party Political Broadcast by the S.N.P. 11.40 The Sounds of . . . Wynford Evans. 11.55 North Headlines.

GRANADA
12.30 pm Mr and Mrs. 1.20 Granada Reports. 1.30 Exchange Flags. 2.00 Take the High Road. 2.30 The Multi-Million Viewer Audition. 5.15 Mr Merlin. 6.00 This Is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 11.40 The New Avengers.

HTV
1.20 pm HTV News. 3.45 The History Makers. 5.10 Ask Oscar! 5.20 Crossroads. 6.00 HTV News. 6.30 Sing a Song with Me. 10.28 HTV News. 11.40 The Monte Carlo Show.

HTV CYMRU/WALES—As HTV WEST except: 12.00-12.10 pm Ty Bach Twt. 4.15 Mr Merlin. 4.45 Y Rheilffordd Gudd. 5.10-6.20 Dick Tracy. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH
1.20 pm Scottish News. 1.30 A Full Life—Sir John Clements. 5.10 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.15 Action Line. 6.25 A Party Political Broadcast by the Scottish National Party. 6.30 Report. 11.45 Late Call. 11.50 And Then Came Bronson.

TVS
1.20 pm TVS News. 5.15 Radio. 6.00 Coast to Coast. 6.00 Coast to Coast (continued). 6.35 Crossroads. 11.40 Jazz and Blues—B. B. King. 12.15 am Company.

TSW
1.20 pm TSW News Headlines. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 A Day in the Life of John Alderson. 10.32 TSW Late News. 11.40 Paris by Night (Montparnasse). 12.10 am Postscript. 12.16 South West Weather and Shipping Forecast.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 5.15 Private Benjamin. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life—with Tom Coyne. 10.40 North East News. 11.40 Pavilion Folk. 12.10 am Reconciliation.

ULSTER
1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.40 News at Bedtime.

YORKSHIRE
1.20 pm Calendar News. 5.15 Private Benjamin. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Living Legends of Jazz and Blues: "Spyro-Gyra."

RADIO

(S) Stereophonic broadcast
‡ Medium Wave only

RADIO 1
5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 5.00 Andy Peebles. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 Steve Jones (S). 8.00 Alan Dell with Dance Band Days. 8.30 The New Swingle Singers (S). 9.00 The Folk Entertainers (S). 9.30 Sounds of the Sun (S). 9.55 Sports Desk. 10.00 You've Got to be Joking, with Cardew Robinson. 10.30 Be My Guest says Norman Vaughan. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued) (S). 9.00 News. 9.05 This Week's Composer: Shostakovich (S). 10.00 Lindsay String Quartet (S). 10.45 Philip Fowke piano recital (S). 11.40 Northern Sinfonia of England (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Jazzmen Talking: Bud Freeman in conversation with Charles Fox (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 J. C. Bach: Sonata in C Op.18 No.1 for oboe and harpsichord (S). 7.15 London Symphony Orchestra: Concert from the Barbican Hall, London, part 1: Rossini, Prokofiev (S). 7.45 Six Continents. 8.05 Concert, part 2: Brahms (S). 9.00 Scientifically Speaking. 9.30 "The Day of Judgement," oratorio by Telemann (S). 11.00 News. 11.05-11.15 William Wordsworth: The poet, as set by the composer (b.1908) (S).

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather. 9.00 News. 9.05 Midweek: Henry Kelly (S). 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Around the World in 25 Years with Johnny Morris. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Smith Invades the Capital. 4.00 Moonshine and Dancing. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News including Financial Report. 6.30 My Word! (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A Little Bit of Scotland. 8.45 File on 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Quote . . . Unquote (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A Japanese middleweight takes on the securities industry's 'Big Four'

BY RICHARD HANSON

MANAGING A medium-sized securities house in Japan, even in the best of times, can be a trying business. The late 1970s were not the best of times, and the current decade is shaping up as a period of shake-ups and mergers among the four score or so companies which belong to the Tokyo Stock Exchange.

Sanyo Securities, one of the largest of the 10 middle-ranked "general" brokers which vie directly for markets with the Big Four (Nomura, Nikko, Daiwa and Yamaichi) intends to ride out the storm, and remain independent. In order to do so it proposes an ambitious five-year plan which, if successful, will leave it better balanced and more profitable than in recent years. The changes include expansion overseas, and an infusioo of new management.

Paradoxically, its search for new blood centred on bringing into the company a 17-year veteran of Nomura Securities, Youichi Tsuchiya, whose family founded Sanyo in 1910. When 40-year-old Tsuchiya was named executive vice-president last December, his father moved up to post of chairman. "Junior's" main task will be to steer Sanyo toward its new goals.

Sluggish profits

The most important item will be to boost Sanyo's profits. For the past three years, reflecting a general slump in the industry, Sanyo has reported sluggish profits, and is only now about to surpass the previous record of Y2bn (£460,000) in net profit hit four years ago.

Sanyo's basic dilemma in trying to meet its objectives is its size. The four companies which dominate Japan's securities industry between them control up to 60 per cent of all the securities business in the country. In some areas, such as international business, the big four, and especially Nomura, are even stronger.

Moreover, all four are strong to some degree in all aspects of the securities trade.

Below the top four are ten fully licensed companies, with Sanyo in the top four of these. Their business almost exactly mirrors the Big Four in everything but market share and profitability. These ten divide roughly 25-30 per cent of the business on the Tokyo market. Still lower down the scale are nearly 70 small brokers which fight for the remaining scraps.

In order to attract customers, Sanyo must maintain a network of branches and backup investment services, though since it holds less than 3 per cent share of this market this hardly seems justified. Saoyo spreads its 3,500 employees over 65 branch offices.

On the other hand, Nomura can afford to employ more than three times that number of people in a branch system which is less than twice as large. Sanyo has only 10 fewer branches than the smallest of the Big Four, Yamaichi.

The reason for such an extensive branch system is simply that an overwhelming two-thirds of its business is stock trading mainly for individual investors, who unfortunately for Sanyo represent a steadily dwindling share of stock ownership in Japan. The result is heavy overhead costs.

The compaoy believes that it should have some 5,000 employees to operate its branch sales system effectively, but whether it can afford to take on the additional staff in the near future is problematical.

An additional burden is the investment services which Sanyo feels obliged to offer its customers. Last year, for example, the company joined the ranks of securities houses which have established research companies (though Sanyo's concentrates on investment research). The company churns out an extensive range of English language material on companies, industries and the economy to lure foreign investors.

Tsuchiya says of his goods: "We don't want to be just a small Nomura. We do want to be more profitable." To achieve this, though, Sanyo will have to shift the weight of business in which it engages, into a balance not unlike Nomura.

In five years Tsuchiya wants to reduce Sanyo's heavy dependence on stock trading revenue, by increasing bond and other business.

He would like to see a doubling of the share that international business represents of Sanyo's total activity (now only 5 per cent) and cut in half that of stock trading from 70 per cent to 35 per cent.

The overriding target is simply to expand. Ideally, Tsuchiya would like to see a doubling of the pace of annual revenue growth from the 10 per cent average recorded over the past decade to 20 per cent. Achieving such rates of growth will, however, be difficult, and depend greatly on such unpredictable factors as a continued rapid growth of foreign investment into Japanese securities.

Sanyo acknowledges that it faces an uphill battle in achiaving its targets. Others in the same sized boat as Sanyo ara also competing for the sama things—growth and profitability.

Sanyo, for example, has just upgraded its branch in London (it has two other overseas branches, in New York and Hong Kong) to a wholly owned subsidiary. But, aside from the Big Four Japanese houses, three other medium sized Japanese brokers have already set up London subsidiaries.

Still Sanyo has managed to get its foot in the door of other promising markets. It is scheduled to be the manager of China's second yen denominated bond later this year (Nomura managed the first).

Eyebrows raised

Tsuchiya's move to Sanyo may have raised some eyebrows, but it appears to be well suited both to Sanyo's development so far and the plans it has for the future. That Tsuchiya is a member of the original family (the family's direct holding is now minor, the company having ceased to be privately owned long ago) provides only a partial explanation for his being "scouted."

The son in fact rather proudly claims to have joined Nomura on his own initiative, without his father's prior knowledge. That he spent 17 years there (rising to the manager class) suggests that he was not simply in training to take over the "family" business. If all goes well, however, it would be logical for Tsuchiya finally to rise to the presidency.

Youichi Tsuchya, executive vice-president of Sanyo: After 17 years with Nomura, Japan's biggest securities house, he has joined the company his family founded in 1910 to play the key role in a major expansion programme

In the background is a long standing web of both personal as well as business links between Nomura and Sanyo dating back to the 1950s, when Tsuchiya's father was already a respected member of the securities industry and Nomura was just establishing itself. Tsuchiya says now that he was unaware of the extent of ties his father had with Nomura until after he joined Nomura straight out of university.

The most prominent milestone in the Nomura-Sanyo relationship came in 1971 when tha Tsuchiya-managed Nitto Securities merged with a small subsidiary of Nomura based in Osaka, in order to meet the owned capital requirements for licensing as a general securities company (ie, one licensed for all aspects of the business).

Currently the Nomura group collectively holds just over 9 per cent of Sanyo's shares. From Nomura's point of view it is perfectly normal (in Japan) to have one of its former executives at a close relation like Sanyo.

A question of ethnic origin

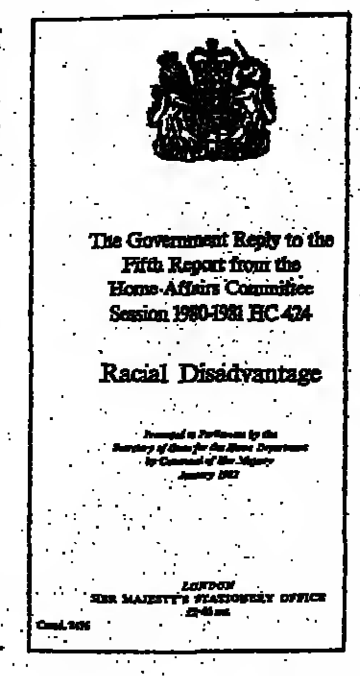
Lisa Wood on the pressure on large companies to monitor the racial mix of workforces

IT WOULD be optimistic to imagine that since the publication of a recent Government White Paper on Racial Disadvantage, companies have been hotly debating the value of monitoring the ethnic breakdown of their workforces.

The White Paper, which was produced in response to a Home Affairs Select Committee on racial disadvantage, strongly recommended that "larger firms give serious consideration to ethnic monitoring."

The Government neatly sidestepped the taking of any positive stance on this controversial issue. "In tha absence of a clear consensus within industry," it said "the Government considars that the right course is to leave it to individual firms to decide whether, when and in what form ethnic monitoring can, in their own particular circumstances, contribute to tha advancement of racial equality and harmony."

'In the absence of a clear consensus within industry, the Government considers that the right course is to leave it to individual firms to decide whether, when and in what form, ethnic monitoring can contribute to the advancement of racial equality and harmony'



Any debate on this sensitive issue which has been badly misinterpreted by a few as a prelude to U.S.-type "quota systems" of ethnic employment, is complicated by the fact that several major employers which do monitor their workforces are reluctant to talk about it. They do not want to be held up as employers who are smugly complacent about their employment practices.

None, however, complains of any backlash from employees after it has been fully explained to them why monitoring was being done. Neither do any complain that the exercise has been futile. Some, in fact, have taken positive action in areas where discrimination may have existed.

As a first step, monitoring can be used to check whether or not commitments to being "an equal opportunity employer" are already hedded in practice. Some 250 companies have declared themselves "equal opportunity employers" but as the White Paper said, for such declarations to have value "they need to be backed up by action to give practical effect to them in the work situation."

For discrimination is not always overt. Recruitment, for example, is easily prey to indirect discrimination, particularly in the current economic situation with employers, inundated with job applications, falling back upon "word of month" recommendation. This means that if existing staff are predominantly white they will reproduce the same profile among new recruits.

J. Sainsbury, the second largest food retailer in Britain, and Ford both introduced monitoring of workers in the early 1970s to ensure that company policies on equal opportunities were working in practice. Initially monitoring covered hourly paid workers and was subsequently extended to all salaried staffs by both employers.

Ford, drawing heavily on its parent's experience in the U.S. where legislation in this area is tougher, has made more dynamic use of the information gleaned, stating explicity that it wants to identify areas where practical initiatives are required.

Sainsbury views the exercise more passively, using the statistics as a back-up to check on policies which it believes offer full equality of opportunity.

Tony Clarke, remuneration and benefits manager at Sainsbury says: "We do a computer run once a year to examine the employment profile by ethnic origin. But the information is not used as an "action statistic." Rather it is a back-up to guidelines on equal opportunity issued by the Commission for Racial Equality."

Sainsbury, he says, would fully investigate if, for example, the check revealed a sharp unfavourable alteration in the ethnic composition of the workforce. Monitoring has shown, however, an evolutionary increase in both women and blacks in management positions over the last few years.

Ford, for which monitoring showed a low representation of non-white employees in skilled hourly-paid grades, has tried to do something positive abont it.

Language training was started in 1974 to assist immigrant employees, of mainly Asian origin, and the system of selecting foremen was revised. Company-wide selection criteria were introduced to replace a system comprising mainly local interviews under individual plant arrangements.

While there was no evidence, says Ford, of the latter system being discriminatory, the new arrangements intended to improve the selection and training process should increase employees' confidence in the fairness of the system.

Ford has vigorously interpreted the spirit of guidelines issued by the Equal Opportunity Commission. Sainsbury, in contrast, has not taken positive action.

It believes its employment policies, on which head office imposes a strong corporate view on branches, offer full equality of opportunity and it feels it has taken appropriate action given the present climate of opinion.

It would, for example, be possible to monitor all applicants to check that they were not being rejected because of colour or qualities specific to a different culture. "Hundreds of people annually apply for jobs and for the extra cost of the administrative burden there would have to be strong national pressure," says Clarke.

Neither Ford nor Sainsbury complain of the costs entailed in monitoring. Both have sophisticated computer-based personnel records and the ethnic question is a simple addition. Clarke, who says it was impossible to evaluate the cost, maintains: "For a large company to cite cost as a reason for not monitoring is simply a red herring."

Staff hostility, either from black or white employees, has not been a major issue for either company. When Sainsbury extended the scheme to salaried staff two staff representatives did query it. However, full briefing documents were supplied to heads of departments responsible for compiling the information. "Communication in this area is vital," says Clarke. "It must be fully explained why such a step is being taken."

Both hostility and anxiety about ethnic monitoring was expressed to the select committee when it took evidence last year, although a couple of local authorities and public sector employers had adopted the procedure.

Ethnic monitoring and positive action to redress disadvantages are perhaps the only solution, however, to ensure that employers' commitments to equal opportunities are not just public relations exercises.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Costs to litigant

I am an anaesthetist in private practice, deriving my income from fees charged to my patients. When these are not paid after repeated reminders, I issue a summons in the County Court using the small claims procedure. However, apart from immediate court and bailiff's costs (which are added automatically to my fee), I inevitably incur substantial additional expenses.

To compensate for these, I have in the past made a modest addition to my fee under the new heading "additional expenses and inconvenience." This has been allowed by the Registrar at the pre-trial review and included in full in the judgment against the defendant. I have set the charge at 25 per cent of my fee or £25.00, whichever is the smaller amount.

One month ago I attended a pre-trial review of a claim I had made in which I had requested an additional £25.00. On this occasion I was informed by the Registrar that a recent change in the law now prohibits such a payment and although my fee and court costs were awarded in full, I was only allowed £12.00 to cover all my costs. As, in addition, I have now had to issue a warrant to obtain payment because the defendant has defaulted, I am going to be considerably out of pocket. What please do you advise?

We think that the Registrar had in mind Order 19 Rule 1 (11) of the County Court Rules, which excludes solicitors' costs on a reference by way of arbitration. As the costs of a litigant in person are given as an equivalent of solicitors' costs, it is correct that such costs would not be allowable where solicitors' costs would not be allowable. However, you should be entitled to obtain your costs of enforcing the award, under the exceptions in the subrule cited above.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

JVC ready for big jump to videodisc

BY ELAINE WILLIAMS

JVC, the Japanese consumer electronics company, will launch its videodisc worldwide to the trade in less than three months' time.

Its introduction comes after delays because of technical problems and amid some scepticism about the possible mass appeal of this new video entertainment system.

A videodisc is similar to a conventional LP but produces stereo sound and vision when played on a special machine.

The JVC system is just one of three videodisc players which will reach the UK market some time this year. Its rivals are the Philips LaserVision whose launch has already been delayed three times and will now appear in May, and RCA' Selectavision which is already available in the U.S.

Questions

There are still many question marks over the potential of videodiscs. Some industry observers wonder if they can become successful when video cassette recorders have already taken a bold in the market.

Mr David Silver, who is responsible for JVC's UK launch said that discs do not compete directly with cassette recorders. They offer better quality pictures and full stereo sound. Discs can be used for simple video games, for wide application in teaching and industry as well as conventional programmes.

Mr Silver also said that its disc system was far easier and thus cheaper to make and service than a conventional video recorder. The disadvantage to the consumer was the fact that it was not possible to record information onto the discs.

This is why it is important to bave a wide range of programmes available from the beginning, Mr Silver said.

Thorn-EMI will supply all the software for the discs in the UK and will offer at least 100 different films and programmes for the consumer launch which is in September.

The JVC VHD system is also backed by other electronics companies—Mitsubishi, Sharp, Panasonic and Hitachi.

JVC has now completed the technical changes to the disc which delayed its launch worldwide. Due to the different television standards which exist throughout the world, JVC's disc designed for one system could not be played on another television standard.

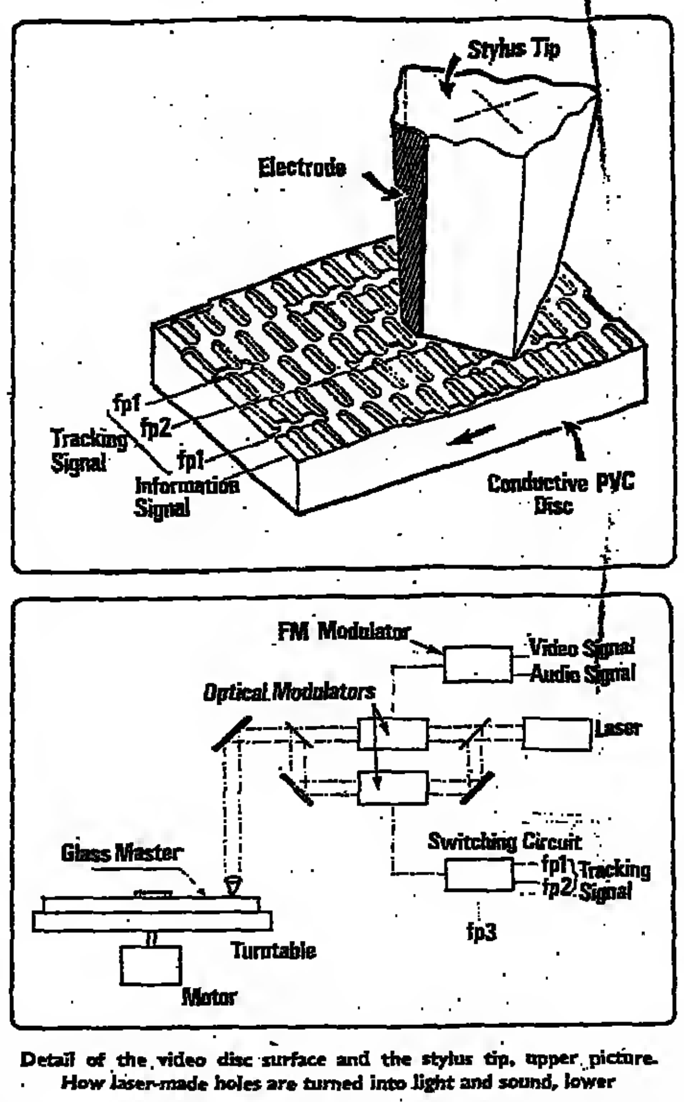
However, the company now says that discs are interchangeable so that a video LP bought in the U.S. can be played on a British machine.

Technically, the JVC system is a half-way house between the highly sophisticated LaserVision—which uses a laser to read microscopic pits beneath the surface of an optically reflective disc—and RCA's disc which is grooved like a conventional LP.

It is also priced between the two, costing between £299 and £349 for the player, and between £11.99 and £15.99 for the discs depending on content. The most recent information from Philips is that its player will be near £500 with discs in the same price range.

In many ways the VHD disc player resembles a conventional audio record deck. It bas a diamond stylus which runs over the surface of a 10.2 inch grooveless conductive plastic disc.

The information carrying the video and sound is contained in



Detail of the video disc surface and the stylus tip, upper picture. How laser-made holes are turned into light and sound, lower

tiny micropits arranged in a spiral from the centre outwards. A single side contains up to 54,000 television frames, and plays for one hour.

On each side of the main spiral of microdots are pits which control the tracking of the diamond stylus. This reads the data as a variation in capacitance as the disc rotates at 750 revolutions a minute.

The videodiscs themselves are mass produced using a pressing system which is virtually the same as that used for making conventional audio discs, except at the beginning of the disc making process when the tiny micropits are etched on to a glass master using a laser. This is used to make the production stampers.

The disc itself is protected in a hard plastic cover, called a caddy, because it is susceptible to fingermarks, dust and being dropped, unlike the LaserVision disc from Philips which is much more robust.

The VHD disc is loaded directly from the caddy into the machine so it is never touched by human hand. Mr Silver said that the disc would last for 3,000 to 5,000 hours' playing.

Marketing

It will also be possible to use the player for digitally recorded stereo audio discs—with the addition of a decoder which links into the hi-fi.

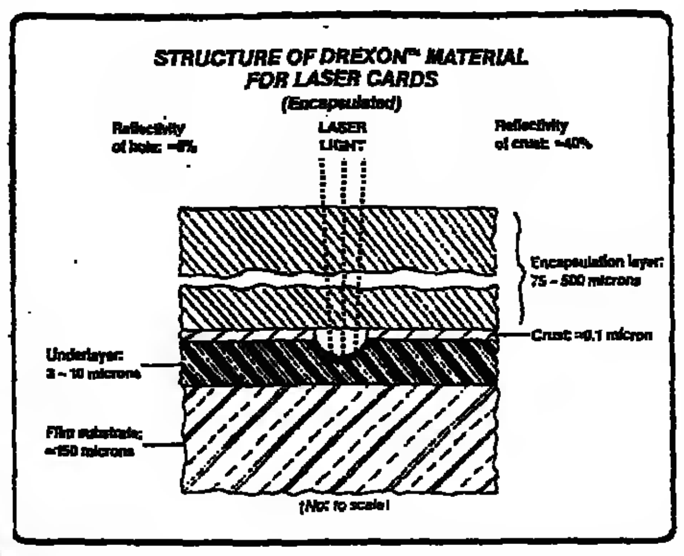
Mr Silver said, however, that there were no early plans for the introduction of such a system which is so dependent on the success of the video player.

JVC is putting all its marketing efforts behind one model which left the Japanese factory in its final version only two weeks ago.

"We have learned a lesson from the VCR market where too many models appeared too quickly," said Mr Silver.

There are very few figures for the potential market. Some forecasters say that the UK market alone could amount to some 100,000 machines in the first year.

Drexler to make its laser card



AN EXTRAORDINARY development announced last year by SRI International and Drexler Technology Corporation in the U.S., by which it will be possible to record a million words of text on a credit card-sized piece of plastic, has now reached the manufacturing decision stage.

Drexler has announced plans to built a factory able to make 100,000 Laser Cards a day. Located in Mountain View, California, it is scheduled to be in full operation by the autumn of this year.

The recording medium, which can be in the form of a stripe of the width found on present credit cards or can cover the whole card, is an organic film into which very fine silver particles have been introduced on the surface, making it 40 per cent reflective.

When a very fine laser beam is focussed on the surface the film melts locally and a tiny black spot is formed on the bright background. The spot, actually a small hole, has only six per cent reflectivity. Furthermore, because the melting temperature is low, only small laser powers are needed and the dwell time to make a hole (representing one bit of data) is only about 100 nanoseconds.

The net result is a very large number of holes about five microns across. Recording pulse times can be as low as 44 nanoseconds, giving rise to data recording rates of 10 megabits/sec: the whole card can be covered with data in a matter of seconds.

One of the cards recorded on both sides would be able to store 40m bits of data, some 5m characters or about 1m words of text.

Drexon plans to provide these cards in three forms: one carrying both normal magnetic and the new optical stripe, the second with the optical stripe alone and the third covered both sides with the Drexon film, to be known as the Mega-Memory Card.

Even the stripe can carry five megabits (120,000 words) and so could hold, for example, extended medical data about the owner. Or, transaction cards could be progressively filled. It is even possible to encode the card with an image of the owner's face for security purposes.

Clearly, a very large amount of word processor text can be held on a single card.

The implications for information technology are considerable and applications seem likely to occur in payment systems, medical records, banking terminals, equipment service records—even in home computer software storage.

The advantages are worthwhile. Recording and reading are fast, both machine readable and eye-readable data can be recorded, data can be added but not taken away or tampered with and it is possible to authenticate cards by code engraving at source. Drexler is at 2557 Charleston Road, Mountain View, California 94043.

GEOFFREY CHARLISH

New ways to send data along domestic power lines

THERE SEEMS to be growing interest in using the electricity supply wiring within domestic premises, business sites, or even over wider geographical areas, for carrying communications signals as well as power.

It has cropped up again with the announcement from Home Automation (09924 60355) of a system that will allow lights and appliances to be controlled from almost anywhere in the house using a simple hand-held controller.

The system, called Ripul, uses infra-red transmission between the controller and a sending unit which is plugged into the nearest mains socket, or fixed at a suitable outside location allowing use from say garage or garden.

Various types of receivers can pick up the signals and each has an adjustable address number from one to 16. When the transmitter is operated the address button is pressed first, followed by a function button (on, off or continuously variable).

One type can be plugged into a suitable ring main socket and will supply the appliance or light. Other types can be installed inside the appliances to perform similar functions.

A third type contains quartz controlled timing circuits that can be programmed remotely by the hand-held unit. With this it is possible to control up to four of the address channels in any desired pattern of on/off switching.

Each channel has up to 20 programmable times and may be programmed on a daily or weekly basis. Timing resolution is to the nearest minute up to a week ahead.

The idea of using mains wiring in this way dates to the early 1970s when Japanese equipment started to appear that allowed three audio channels to be established with separate carrier frequencies.

Any other unit plugged into a mains socket can receive the signals provided it is on the same electrical phase (of the three-phase local distribution transformer).

Then, late last year news came that the Department of Industry was supporting research into a system called Mainsborne, which would make it possible to read supply meters remotely, rather than sending the "meter man."

Development is being carried out by Thorn-EMI but for the time being the company is not revealing much technical detail.

Philips' new PABX

PHILIPS BUSINESS Systems has played its hand with regard to the provision of integrated office communications via the PABX, shortly after a similar announcement from ITT.

The company is to offer a special version of its EBX 8000 exchange which will allow the user organisation to handle voice, data, text and telex. Hardware and software modules added to the EBX 8000 turn it into the EBX 8000DV, allowing existing installations to be converted, and Philips has also taken the rather unusual step of offering the modules for use on other makes of private exchanges.

The DV system is based on linking the exchange to the company's data message switching unit DSX40. Subscribers on the EBX 8000DV will be able to have their text or telex terminals (such as word processors, VDUs, teleprinters) connected to the system via a standard telephone line interface.

They will then be able to communicate in the store and forward mode with other in-house terminals, with remote terminals on the public switched network and with terminals on the public telex network. More on 0223 245191.

LETTERS TO THE EDITOR

The main causes of double-digit inflation

From Mr D. Ball

Sir,—The public sector and government energy and taxation policies are now the main cause of double-digit inflation. Meanwhile manufacturing industry margins and wages have been squeezed in the pincer of public sector inflated prices and lower price increases for their own products.

When economic recovery promotes demand, there will be an opportunity for manufacturers to raise prices to recover margins and for their unions to press for restoration of living standards. There will surely then follow a damburst of private sector price increases, the public sector high price levels will increase further in step, imports will surge to satisfy the demand, sterling will plummet fuelling the cycle, the hyper-inflation will be back! This process has already started, recent improvements in demand are already causing lengthening lead times and requests for double-digit price increases in the engineering industry. This is, of course, the depressingly familiar Barber stop-go, and not a radical new economics.

Hence the major achievement claimed by the Government of bringing down inflation is illusory.

Monetarism, which relies in part nn market forces, is only half successful in a mixed economy, and public sector managers are unable to resist their unions and higb wage demands since the consequence is not public sector but private sector job losses. There is now a growing body of informed npinion that believes monetarism works only on a supra national scale.

Sadly it bas certainly not worked bere and new solutions have to be found. Meanwhile, it is to be boped that a clearer recognition of that situation will bring the sober realisation that the old medicine, even under a new name, bas not worked, and will not work. Why clamour for more of it?

D. A. Ball.
Roschel House, Rattlesden,
Bury St Edmunds, Suffolk.

Long delays in filing accounts

From the Managing Director, ATP International

Sir,—Every company, according to the law, is supposed to file its accounts with the Registrar of Companies within 10 months of its annual accounting date if it is a private company and within seven months if it is a public company. An anlysis of 100 cases taken at random from our postbag today shows that very few companies comply with the law.

	%
Up to date	7
Up to 6 months overdue	30
6/12 months overdue	20
12/18 months overdue	20
18/24 months overdue	12
Over 24 months overdue	7
Over 36 months overdue	4

These figures are lamentable. The Registrar of Companies estimates that out of 800,000 companies on file, 300,000 will be out of date with their returns at any one time. The Registrar knows very well what should be done to rectify this situation and would dn it if Government permitted him enough staff and enough financial resources.

If the Government is unable and/or unwilling to let this department fulfil its obligations to the commercial public, then possibly the time bas come when some scheme of privatisation under a commissiooer, backed by statute, should be contemplated.

Norman Gantz,
54-58, High Street,
Edgware, Middx.

Uruguay's economy

From the Financial Representative for Europe, Ministry of Economy and Finance and Central Bank of Uruguay

Sir,—A proper evaluation of the Uruguay economy (March 3) should include: the annual rate of real growth of GDP for 1974-80 bas been 4.8 per cent; fiscal budget bas been in balance in the last three years; inflation bas moved from 83 per cent in 1979 to 29.4 per cent in 1981; annual real private consumption per capita bas risen 3.5 per cent; unemployment fell from 14 per cent to 6 per cent; net international reserves multiplied by nine in the last six years.

This contrasts with an average growth rate of 0.8 per cent in the previous 15 years: high and erratic rates of inflation wbicb peaked at 130 per cent in 1967-68; annual fiscal deficits averaging 16 per cent of total expenditure during 1961-74.

Perbaps the modest rate of growth of 1.3 per cent in 1981 should be viewed in the perspective of an important world recession with negative real rates in several industrial countries.

It would also be useful to try to separate true problems from false problems. It is very difficult to isolate a small, open economy from the impact of external markets (recession, inflation, high interest rates), and any discussion of this kind which leaves aside the possible instruments available is a set of common places.

As for the problems now facing several sectors and firms, we might be facing bere another false problem for the country as a whole. Nothing can be done by the Government if certain individuals borrowed beavily in the wake of an upward trend in the prices of beef and real property, and now face a deflated market. Devaluations cannnt create wealth, only transfers between sectors. The same can be said about those banks which willingly financed this artificial expansion and now face "a number of clients wbn have either died from heart attack or blown their brains out."

In a liberal nnn-interventionist ecooomy, the private agents must measure their risks. More in general, they should stop believing that governments are a cure-all, with great magical powers, for all tastes.

M. Pereira,
Winchester House,
77 London Wall, EC2.

Consumption records

From Mr H. Finney

Sir,—I cannot provide the answer tn Mr Dodd's question (March 4) from the land of spaghetti eaters (and tenors), but Mr Dodd should not be dismayed at the capacity of eating champions. The breaking of consumption records was very popular in the Manchester area some 60 years ago, local champions disposing of their own beight in meat pies, their own length in pork sausagee (double linked), and even a botel wasb basin full of rice pudding. These feats were carefully witnessed by the Press, usually in public bouses wbere the contestants could amply lubricate their palate with many pints of bitter.

H. Finney
32 Sandown Drive,
Sale, Cheshire.

Subsidised fares in South Yorkshire

From the Leader of the Opposition, South Yorkshire County Council

Sir,—The leader "Transport policy off the rails" (February 15) makes many assumptions with little or no cooclusions. The crystal ball view of London that "surely increased fares equates to fewer buses" disregards passenger usage prior to May 1981 and the change in control of Greater London Council resulting in a reduction of fares.

The commeot on levels of subsidy in Western capital cities without any details of their transport financing does not belp. Does central Government subsidise? How is their transport funded other than from fares? South Yorkshire has also been caught by the Law Lords' view on the GLC. In South Yorkshire, bowever, the ultimate aim was for free fares and indeed ooe route had just that. Since freezing fares at £3.4m in 1975, the transport subsidy has risen to £61m in 1981-82 and the total cost of subsidising fares in that same period is £220.41m. Rates and grants for the same period total £637.8m. In 1985-86 fares subsidy alone in South Yorkshire would bave been £200m and the mind boggles at the level of rates.

Allowing for the fact that 53 per cent of Labour-controlled South Yorkshire County Council's rateable values comes from non-domestic sources, so the cost to industry, commerce and other non-domestic ratepayers is enormous. Most people accept that some subsidy for fares is correct; the question posed is the amount and the source, bearing in mind that Government does subsidise from the transport supplementary grant. South Yorkshire's income from fares bas been around the £14m pa mark since 1975. Is it such a crime to increase fares income as a first step?

Irvine Patnick,
County Hall,
Barnsley, South Yorkshire.

Fluctuations in share price

From Mr M. Keeley

Sir,—The point made in your editorial of February 22 entitled "A challenge to big investors," namely that managers of large public companies should be ioduced to align their objectives with those of their shareholders, is a valid one. The logic, bowever, of the means proposed for achieving this aim is questionable. It was suggested that if corporate managers were to have more frequent and meaningful dialogue with their shareboldlers, particularly the institutions, they would be clear as to what was expected of them and would be free to plan for the long term without being unduly concerned about short term fluctuations in share price. There is an inconsistency in this argument.

If it is assumed that the institutions have as their principal financial objective the maximising of disposable weath for the benefit of their pensioners, policy holders, etc. then the success of the companies in which they invest can only be measured in terms of the combination nf dividends and share price. A company's ebare price will not necessarily be maximised by pursuing the expressed views of even the most sophisticated of shareholders if they are formulated in terms of the company in isolation, not because such views may be inexpert but paradoxically because they may be irrelevant. If the objective is to maximise wealth then the criteria for decision making must be market based. If for instance the company were to make decisions on the basis of the risk-return preferences of its own sharebolders rather than of the market as a whole this could adversely affect share price and therefore be counter-productive.

Another weakness of the argument is the suggestion that short term price movements are somehow unimportant and can safely be ignored by management. The underlying assumption is that long term corporate decisions only effect market value in the long term. All the evidence however, indicates that the securities market is extremely efficient in that the sbare price very quickly reflects the impact of both long and ebort term factors affecting the company. In other words the market passes an immediate verdict even on the long term decisions of management. Managers should, therefore, be more rather than less market oriented in the interests not only of their shareholders but of others such as creditors and employees to whom they have a responsibility. If for instance Laker Airways had been a quoted company the market would certainly have been signalling the reality of the situation to all concerned well before the collapse.

Michael A. Keeley.
Glasgow College of Technology.
Cowcoddens Road, Glasgow

The growth of bank lending

From Mr J. Browne, MP

Sir, — I refer to William Hall's article of February 15 in which he refers to the monitor service of L. Messel and Co which states that a "Combination of explosive credit growth and a very depressed real economy is the most baffling feature of the British economy at present."

May I suggest that, with a free banking system, an absence of foreign exchange controls and the presence of massive, state-owned monopolies, no government or central bank has much direct control over its internal money supply. For, currency flows are unchecked and bank lending merely rises or falls in response to the demand for credit.

Faced with high interest rates, a fall in turnover and massive increases in rates and the prices of services and products provided by state-owned monopolies, is there any wonder that private-sector companies, and even individuals, turn to the banks for credit? These same banks are often under quasi-political pressure to extend their corporate lending criteria beyond the bonnds of normal banking prudence. Bank lending to the private sector explodes.

With a free market philosophy such as an honest money policy by its very nature unable to bite effectively into local authority rates nr the wage and price levels of State-nwned monopolies, the private sector is left to take an ever-increasing burden, a burden that rises rather than falls with a fall in the real economy.

By and large, the private sector is forced to turn to bank credit to finance this increasing and continuing burden, particularly while turnover is depressed. In their turn the banks are encouraged politically to extend loans often to uncreditworthy clients.

Bank credit thus explodes to finance the uncurbed inflation cansed by the public-sector monopolies, particularly as our real economy slumps.

John Browne.
House of Commons, SW1.

A new kind of class system

From Mr R. Coley

Sir,—Correspondence on all aspects of public sector rewards shows no sign of abating, witness recent letters about built-in civil service incremental scales. Neither Mr Hayward nor Mr Earwicker (March 3) could be regarded as objective and most people outside the civil service would regard the starting salary levels rather than those at the end of the incremental scale of some grades to be the true rate for the job. The wide ranging and important responsibilities to which Mr Hayward makes reference are largely, I think, illusory.

Incremental pay scales are but one part of the public sector equation of index-linked pensions so beautifully analysed by Mr Sloan (March 2) with unearned and unpublicised gratuities, sick leave arrangements and all manner of special allowances enjoyed—if enjoyed be the right word—by large groups within the public sector. Now that the enormity of what has been created is sinking in, we can see a future ahead of us —in fact it is already here— with a new kind of class-system. On the one hand public and retired public sector employees enjoying the fruits of their, and nther people's labours, totally oblivious and misinformed about the rewards and risks of industry and commerce, a sector shrinking, disillusioned and increasingly more angry.

With the possible exception of the nursing profession, there are no poorly paid public servants and there are certainly no distressed civil service pensioners. In fact, most public sector employees recognise their good fortune, favourable financial status in society and are ever wonderous at the continuous increases they receive which are in no way tied to prodnctivity.

The only real answer to this whole thorny question is to freeze all public sector pay and pensions for at least the next three years. The effect upon inflation would be dramatic, industry would be stimulated and chances are few would seek alternative employment.

Ronald Coley.
Draycott,
49, Riddlesdown Road,
Purley, Surrey.

Not a waistcoat to be seen

From Mrs M. Dodson

Sir,—As the wife of a professional man who, save in high summer, would never think of attending his office unless wearing a waistcoat, I noticed with dismay your picture (March 3) of the Chancellor of the Exchequer and his ministerial team. There was not a single waistcoat between them, and indeed the expression of the whole group was of inelegance, even sloppiness.

Can anyone suppose that a similar group could have been found among Ministers of the Crown in the time of Harold Macmillan, without even recalling the sartorial habits of Anthony Eden?

At least none of today's ministers is wearing a donkey jacket, but what confidence can we have in a future administration?

Mary W. Dodson,
The Knoll,
Ladythorn Crescent,
Bramhall, Cheshire.

Alternative strategies

From Mr D. Eddison

Sir,—The Rt. Hon. Member for South Down (Mr Enoch Powell) tells us to vote Labour to take us out of the Common Market. In the article on March 3, he explains how in effect "the alternative strategy" to present government policies would result in more inflation, which he equates with tyranny. In the same edition, Labour's alternative strategy is explained.

Are we to believe now that Mr Powell recommends tyranny and inflation outside the EEC or more stable money, based on continuing policies, within it?

D. W. Eddison.
Langley Farm,
Bethersden, Ashford, Kent.

Financing a Channel tunnel

From Mr A. Dalgleish

Sir,—Mr Gueterbock states (March 2) that his tunnel consortium would seek tn negotiate a "throughput contract" with British Rail and SNCF. Such a contract would obviously have to include guarantees on minimum income levels for the tunnel operator to make it worth his while. Since both BR and SNCF are totally dependent on very high levels of subsidy from their countries' taxpayers to enable them to continue in business at all, it is obvious that the ultimate source of funds for this project would be, as usual, Taxpayers Unlimited.

Other large scale users of BR's services, whom he mentions, already have the benefit of such subsidy, although the true level of the latter is masked by railway accounting procedures such as the "avoidable cost" convention.

Angus Dalgleish.
Shouson Hill, Roxbury Road,
Chertsey, Surrey.

Fred Mulley's replacement

From Mr R. Brown, MP

Sir,—I write to disagree with your report (March 3) that at a recent meeting of Amalgamated Union of Engineering Workers-sponsored Labour MPs there was general concern that one of our union members — Dick Caborn — should be selected by Sheffield Park Constituency Labour Party to replace Fred Mulley as their candidate in the next General Election.

Of course while some of those present expressed a certain view, the vast majority recognised that the procedure was fair and democratic, so they did not criticise the result. But this should not surprise anyone. Dick Caborn, after all, is a respected and hard-working Euro-MP and trade unionist. He will be a great asset in Westminster.

Ron Brown.
House of Commons, SW1

THE ARTS

Television

From breakfast to brickbats

by CHRIS DUNKLEY

"Does anybody you know really *want* even one breakfast television service?" is the question that seems to be asked about once every 20 minutes today. The answer, of course, is no. But so what? Can you remember in the '50s ever thinking, "What I really want is a reel of sticky transparent cellulose tape?" I can't, but I certainly would not want to be without Sellotape now. Before they existed did anybody really *want* horseless carriages, telephones or daily newspapers? Presumably not, but few of the millions who now enjoy and rely on them would happily give them up. How many people really *want* two more channels of television provided via satellite, or even Channel 4 which is now only a human gestation period away? Do you know anybody who really *wants* 50-odd channels of communication entering (and more important leaving) the house on fibre optic cable? Well no, probably not. But will they thank you 20 years from now if you offer to take them away? I doubt it.

★

Panorama, which had one of its healthiest periods for many years under the editorship of Roger Bolton, seems to have lost its edge since he moved over to inject a bit of proper journalism into *Nationwide*. (An injection which has predictably irritated less demanding viewers who apparently feel that a ragbag of gags poking fun at the provinces is just about all they can take in the way of current affairs at six in the evening and are now writing in droves to Radio Times to say so, if not in those precise words.) Although the difference in tone between one reign and another in long-running current affairs series may seem quite obvious in the long term, especially in retrospect—for instance, *TV Eye*, though it produces occasional nuggets, just hasn't sustained the standard we grew to expect when it was called *This Week* and David Elstein ran it—it is extraordinarily difficult to identify precisely those changes on screen which result from a change in command.

In the case of *Panorama*, however, last week's curate's egg programme may offer an example. Elwyn Parry Jones' account of the troubles at Times Newspaper was the best bit of television reporting on the national Press that I can remember. I know from personal experience that it is an infuriatingly frustrating subject to specialise in, even for a print journalist; to achieve a report as clear as this using the far more unwieldy tool of television was most impressive.

Yet it followed an interview of Robert Mugabe by Richard Lindley which was deeply unimpressive. Inexplicably for such an experienced man, Lindley simply didn't ask the right questions nor press any of his points hard enough. On such crucial matters as detention without trial and asserting guilt without even bringing charges, Mugabe was permitted to cloud and dodge the issue. Perhaps merely obtaining the interview was considered a coup, but a rigorous editor would have wanted a lot more.

★

After a mere five programmes BBC1 has brought to an end one of the best treats of the week: Jeremy Pallant's series *Top Sailing*. Taking as its subject ocean racing and, to a smaller extent, cruising, this was one of the best forms of escapism for a winter evening that television has provided for ages. It was in utter and delightful contrast to the previous sport "discovered" by television which takes place indoors, at night, in an atmosphere of beer fumes and cigarette smoke, with ugliness and tedium vying for the post of dominating characteristic. (Darts, of course.)

Malcolm Muggeridge and Alan Whicker

Top Sailing went outdoors in the wind and the salt, sometimes in the sunshine off Sardinia's rocky coast, sometimes in the mist of England's marshy estuaries, and brought back pictures of beauty and grace: there are few more magnificent sights in the world than a sailing fleet coming to the line for the starter's gun, and few moments in sport more exhilarating than a crowd of big boats jockeying for position on the windward mark. Unlike all the other odds and ends about sailing that I have ever seen on television, *Top Sailing* was not only well photographed (did we really see helicopter shots?) but well informed. The sooner it comes back, the better.

★

There are several points worth making about Alan Whicker's accusations against *World in Action* and *TV Eye* and one point about his own "new" series. The accusation, as reported in Saturday's Daily Mail under the headline "Alan Whicker lashes ITV's 'Lefty' shows" occur in his book "Within Whicker's World" which is published this week. According to the Mail, Whicker calls *World in Action* a "sort of Marxist party-political" and *TV Eye* a "predictable protest of the militant Left." The first point is that while he is wrong about *TV Eye* which is characterised by nothing so definite as a consistent political stance, there is some truth in the suggestion that the social assumptions informing the work of *World in Action* have always been more left wing than the norm. (Which in British television is hardly surprising when you remember the politics of those who founded the programme's parent company, Granada, the only one among 15 ITV companies which could be described as even vaguely left wing throughout the network's first 25 years and probably still.)

What Whicker fails to add—so far as can be told from the newspaper story—is that 99 per cent of British television programmes support the status quo either tacitly or explicitly, and that the overwhelming majority of current-affairs programmes have a built-in conservative bias. Even more significant, however, assuming once again that Whicker fails to make the point, is the place occupied in British current affairs by Leslie Woodhead's drama-documentary unit which grew out of *World in Action*.

With meticulous reconstitutions of a Maoist show-trial, the persecution of a dissident Russian army officer, the Szczecin shipyard strike, the suppression of the Czech spring, and the birth of Solidarity, this part of *World In Action* has done more than everybody else in television put together to convey to millions of viewers the true nature of Eastern Europe under the yoke of communism—and a darn sight more than Whicker ever did swanning about among the rich in California. Which brings us to the point about the series *Around Whicker's World in 25 Years*: I have seen some of the old clips which have been cobbled together here not once but twice before. Isn't it time Whicker left the tax haven of Jersey and actually made some new programmes?

★

BBC2's lack of explanations on the increasingly frequent occasions when it fails to keep to its published schedule is beyond a joke. The formula phrase "And now, a little later than advertised—" really isn't good enough when programmes are running six or seven minutes late as they were, yet again, on Saturday.

★

As *A Week With Svetlana*, yet another reverential programme about Malcolm Muggeridge, unwound on BBC2 on Saturday, I came to distrust everything about it. I distrusted the producer who was so far into kiddology that after Muggeridge had waved the car off he moved his camera to a head-on vantage point and got the old ham to grin and wave both hands to an imaginary car for the sake of a close-up. I distrusted Muggeridge's motives when it became clear that notwithstanding his deep contempt for television, so often and so publicly declared, it was Muggeridge himself who had written to Svetlana repeatedly and persuaded her to come to England to take part in the programme with him. Above all, I came to distrust the protagonists for the danger to mankind that they so powerfully symbolise: their yearning for faith in some autocratic authority, and their fanatical but changeable certainties in their consequent inventions and pretensions. In 1982 Muggeridge is just as overweeningly certain about the glories of the supernatural as he was earlier in his life about the glories of Soviet communism.

There certainly was a fascinating programme to be made with Svetlana Stalin, the Soviet reactionary who is now so fond in her denunciation of the system her father helped to form. "All they do is produce Sputnik you know and great circus in cosmos, but that is not life of the country," she says with contempt worthy of St Mugg himself, and for all the world as though the lot of the average peasant in Tsarist Russia had not been improved under communism. She could usefully have been brought face to face with a few of Vanessa Redgrave's or Tariq Ali's friends or even a few left-wing representatives of our three million unemployed to argue that case. To show her instead living high on the hog in rural Sussex, listening to Kitty Muggeridge chatter brightly about her frequent trips to Switzerland as a "kid," or watch her harvesting great mounds of raspberries from the kitchen garden and then pouring scorn on a political system which actually seeks to put into practice the principle enunciated by Jesus of sharing your goods with the poor—this was hypocrisy of such an order as to be sickening.

WNO plans a 'Parsifal'

A production of *Parsifal*, in German, is the highlight of the next season from Welsh National Opera. It will open in Cardiff in February 1983. All told there are seven new productions joining the repertory—*Un ballo in maschera* in September; *Andrea Chenier* a month later; then *From the house of the dead*, and in May 1983, a *Carmen*, in English. Opening on tour are Handel's *Tamburlaine* and *Don Giovanni*.

The WNO has overcome its financial crisis. Thanks to an increase in audiences (despite a 28 per cent rise in ticket prices) extra Arts Council aid, strict budgets and more sponsorship, it is within £20,000 of balancing its books. Expenditure in 1982-83 is estimated at £4.75m, with two thirds of revenue coming from the Arts Council, £1m from box office, and the rest mainly from sponsorship.

Amoco, which pledged £250,000 over five years, will contribute that much in the third year, including £60,000 towards *Parsifal*, but will go on backing the company.

A.T.

Two comedies transfer to West End

Two hit comedies, *Season's Greetings* by Alan Ayckbourn, and *Noises Off* by Michael Frayn, are to be presented in the West End later this month by producer Michael Codron.

Ayckbourn's *Season's Greetings* will open at the Apollo Theatre on March 27. Directed by Ayckbourn himself, it is his 25th play and has an all-star television cast: Bernard Hepton, Barbara Ferris, Peter Vaughan, Brian Marshall, Bridget Turner, Christopher Strauli, Marcia Warren, Diane Bull and Brian Hall.

Michael Frayn's *Noises Off*, starring Paul Eddington and directed by Michael Blakemore, is to open at the Savoy Theatre, on March 31 after its scheduled run at the Lyric Theatre, Hammersmith. The cast includes Patricia Routledge, Michael Aldridge, Nicky Henson, Jan Waters, Roger Lloyd Pack, Yvonne Antrobus, Tony Matthews and Rowena Roberts.

New governor for BFI

Mr Paul Channon, Minister for the Arts, has announced the appointment of Sir Gordon White as a member of the Board of governors of the British Film Institute. His appointment runs until the 1984 annual general meeting of the Institute.

Sir Gordon, who is 59, is deputy chairman of the Hanson Trust and chairman of Hanson International Management Services. He is also chairman of the family publishing business, Welbescon.

Dallas Adams and Lillian Silverstone — *Leonard Burt*

Tricycle, Kilburn

Blind Dancers

by ROSALIND CARNE

Drama needs artifice. But an overwrought creation easily hovers on the edge of disaster, particularly when the construction is not mechanical as in farce, but poetic. Charles Tidler's two hander was voted Play of the Year 1981 in Canada.

A different cast, improved staging and lighting might have realised its potential. Nevertheless, it suggests to me the kind of work that reads better than it performs, with lines like "There's only one side to her cage, a man's one sided idea" or "The dance floor is swept and cold, and the band is on the road."

An actress of exceptional calibre might have made something of the ill-used heroine, Louisa, portrayed here by Lillian Silverman, known to BBC audiences as Irene Gibson in the Nancy Astor series. Pale, and apparently undernourished, she has a certain fey appeal. But we rarely forget we are watching a performance.

Her task is a hard one, for she must carry the entire first act, which weaves slowly and tortuously around the past and present of a lonely country girl from the sticks of Ohio. She is a glimmer of sensibility in a crude male world. The time is early evening, August 1945, the day the bomb fell on Nagasaki. Haunted by this act of wickedness, she dreams of escape to showbiz and a life of public adulation in Atlantic City.

Reality is an unwanted pregnancy, as she waits for her three men to come from the fields to supper by the bare wooden fence. Her experience is dramatised through flashes backwards and forwards, lyrical outbursts, imagined dialogue, and an obtrusive narrative trick. It sounds like a short story.

This theatre boasts a high platform stage and plenty of red scaffolding and once again I was reminded of its unsuitability for the atmospheric play. Act Two makes this even plainer with a tiny centre stage bedroom set, bordered by the slatted blinds and whisky bottles of a "film noire." If not a short story, why not a movie script? Two years on, Louisa, not a "weekend band chick" is discovered in bed with Dell, a trombone player (Dallas Adams, also from the Nancy Astor series, brings some energy to the role).

Out of bed they mime a smoochy, chaste, sexual encounter accompanied by plucked bass and punctuated by cool talk. It emerges that this is a one-night stand which spilled into two because they overslept. Or did they? A mystery revolves around the lost day. A pair of failures, they turn out to be a perfect match.

Far from a devastating exposé of the errors of the jazz age, I found it a soppy conclusion, ripe with quasi-Victorian sentimentality.

Festival Hall

Vienna Philharmonic

by ANDREW CLEMENTS

At a time when morale in some of the London orchestras appears to be at an all time low, and playing standards are not what they were even a year ago, the Vienna Philharmonic has arrived in town for two concerts. No orchestra—not even the Berlin—communicates so much pleasure in doing what all orchestras should do: playing together and with impeccable tuning. That, with the Vienna, is just the start, hard though many bands find it; the Mozart symphony no. 33 in B flat, which formed the first half of their Festival Hall programme on Monday gave a demonstration of all their qualities, before the orchestra settled down to the serious business of Bruckner's Seventh.

The conductor was Eugen Jochum, keeping his players on a relaxed leash in the Mozart and allowing their natural instincts to give every rhythm an individual profile, the most rapidly articulated string passage a full-bodied texture. It is not a symphony to encourage probing interpretations, though there are pre-echoes of the Jupiter. But in the Andante Jochum found an easy eloquence, the Vienna strings perfectly balanced, each inner part worthy of the closest scrutiny.

The inner life which conductor and orchestra give to every sonority was a remarkable feature of the Bruckner symphony also. Jochum's accounts of the symphonies are well known from several recorded cycles, but this Seventh transcended expectations even built from those. The first movement was brought forth ineffably slowly, the string tremolandos allotted an expressive weight alongside that of the cello theme they accompanied, and the tempo held tightly in check throughout the second-subject group. Urgency was hardly countenanced until the development was under way and the stage was set for the cello's miraculous presentation of the transfigure theme, extraordinarily moulded, effortlessly expansive.

The Adagio revealed Jochum's approach most completely: the first paragraph taken in short phrases, to be answered in the second by much longer-breathed statements, the consolation provided by the subsequent episodes and clinched in the coda, its string melody delicately flecked with woodwind. Even the finale in this performance was not allowed simply to drive the symphony home on a wave of glorious brass; the subsidiary chorale carried its own full burden of the argument until swept aside by the irrepressibly joyous full orchestra. Marvellous performance: further enlightenment (in Mozart and Beethoven) at the Albert Hall tomorrow.

St. John's, Smith Square

King Arthur

by DOMINIC GILL

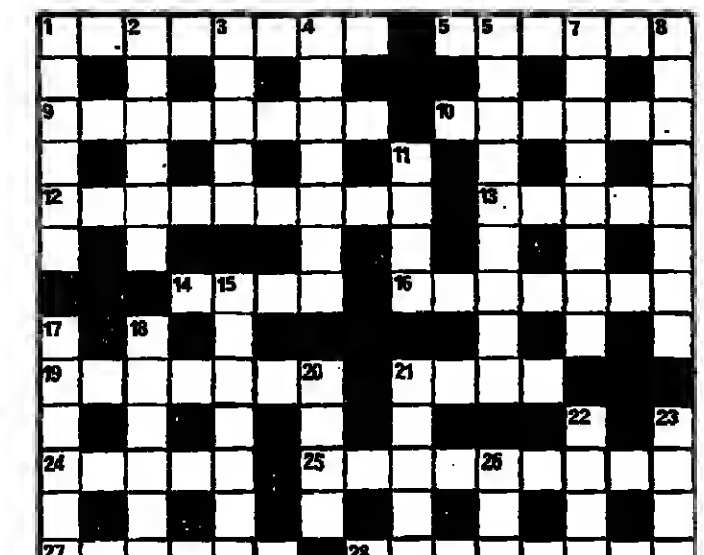
The Monteverdi Choir supported by the English Baroque Soloists, together under John Eliot Gardiner, came to St John's in style on Monday night, and to a sold-out house, with a concert performance in a newly prepared edition of Purcell's "semi-opera" *King Arthur*.

John Dryden, the librettist, preferred the description of "dramatic opera" for the genre's enthusiastic mix of music, dance, and spectacular scenery and costume: any concert performance of *King Arthur* is necessarily a compromise involving a degree of emasculation. Yet the music's virility is irrepressible. Even reduced to a series of numbers, connected on this occasion by an *ad hoc* framework of spoken stage directions and narrations, it is a mine of inspiration.

The rich veins were not immediately tapped. The performance opened uneasily: "Come if you dare," proposed a distinctly ragged marque of Purcellian fierceness. Just in time, at the first of the opera's highest points, singers and instruments rose to the challenge: "How blest are shepherds," and the whole of the nymphs and shepherds scene, came together with a fine sparkle. None of the solo singing was truly distinguished: but none lacked vitality. The baritone of Simon Varcoe made strong sense of Grimbald's songs, and notably of Aeolus's lovely "Serene and calm." Jennifer and Gillian Smith gave their Siren songs sweetly and simply, with some nice sensuous curves of phrase.

The *frost music* of Act 3 was imaginatively realised *ondeggiando*—a stuttering bow-vibrato effect, icy chill; the great, elaborate passacaglia "How happy the lover" of Act 4 was wound up, then un-sprung, with powerful momentum. The three harvesters resisted the temptation to bring a concert performance to its knees with bucolic slapstick: cod-Wessex accents made the point astringently enough. A boyant evening: no Dearth of Wit, nor happily of Purcellian enterprise either, in *this dull Town*.

F.T. CROSSWORD PUZZLE No. 4,818



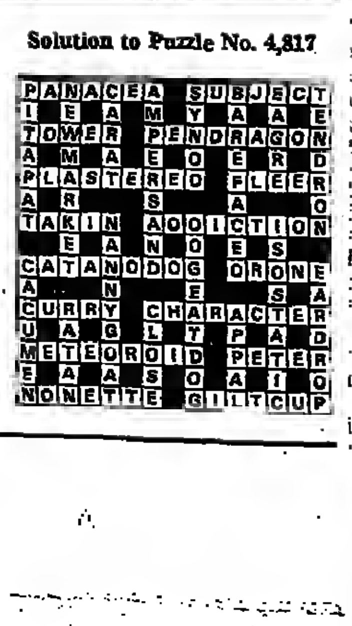
ACROSS

1 Came out willing to be enamoured (6, 2)
5 Small room near West-end (6)
9 Acquires article one bad denied (8)
10 It points to the Spanish composer (6)
12 Eton girl I discover hanging around (9)
13 Fascinating woman with air-raid warning (5)
14 Climb up part of leg (4)
16 Another avenger to impress deeply (7)
19 What has to be proved by those people without mineral (7)
21 Well carried (4)
24 Like crime squad to return detective under water (5)
25 Cut short emergency defending instructions (4, 5)
27 Break to make husband a suit maybe (6)
28 A pound to track down and apportion (8)
29 State of old plane (6)
30 Boss belonging to me in Somerset (8)

DOWN

1 Droop over cathedral in all wisdom (6)
2 Right first-class wrong with fruit (6)
3 Class group of players goes to the east (5)
4 Judgment ought to bind (7)
6 Sweet stuff but not sweetbread (4, 5)
7 Sincere to follow team of stars (8)
8 Able to see a student inside camping (8)
11 Uncertain to be beheaded in in a fever (4)
15 Firm trying place as a playing area (4, 5)
17 Seized man at the embassy and daughter (8)
18 Return post on getting reverse (4, 4)
20 Hundreds of lines of poetry have style (4)
21 Graduate caught sick by one lot of germs (7)
22 It's a north-eastern herbal concoction (6)
23 Unconnected with complete sin (6)
26 Heard abouts disapproving of drink (5)

Solution to Puzzle No. 4,817



THE BUDGET: The Chancellor's Speech

National Insurance surcharge cut • PSBR £9½bn

Sir Geoffrey Howe, presenting his Budget yesterday, said British policy had to be fashioned in the light of the international environment. The battle against inflation was by no means won and it was clearly right to maintain the Government's financial strategy. But Britain's economy was now recovering and his aim was to sustain this—through help for business and industry, hence for jobs and people.

Hugh Routledge

Sir Geoffrey Howe, Chancellor of the Exchequer, leaves 11 Downing Street, to deliver his Budget speech at the House of Commons

"THERE IS a tradition, Mr Speaker, whose origins are shrouded in the mists of time, that the Budget speech should be composed rather along the lines of a novel by Proust, with many lengthy passages of exposition before the denouement. Mystification seems to be the name of the game. Perhaps Agatha Christie is a better analogy. Clues abound, but the whole picture is revealed only at the end. This was supposed to have something to do with waiting for the closure of the markets.

"But having listened to a good many of these annual rituals, since first I entered this House, the thought has occurred to me — as no doubt it has to others — that perhaps an element of tantalising suspense was thought desirable to keep the attention of Hon. Members up to fever pitch.

"At any rate, this afternoon I propose to break with that tradition: and to tell the House, without more ado, that in this Budget I shall be proposing substantial reductions in taxation, while at the same time reducing the Government's borrowing requirement.

"This will be a Budget for industry — and so a Budget for jobs. But it will be a Budget for people as well. It is a Budget that will strengthen the foundations of economic recovery.

"To set my proposals in context, it is necessary to start with a word about the past. Within the memory of every member of this House, almost everyone in this country took it for granted for example, that our buses, cars, or motor-cycles were made in Britain, from British steel. Most of the world's finest ships were still being built in our yards.

"It is only 11 years since the Erskine Bridge over the Clyde was completed — to a design which would allow to pass below it a steady line of Cunarders from John Brown's world-beating yards at Clydebank.

"So until quite recently we took for granted one of the highest living standards in Europe, if not in the world.

"But by 1979, all that had changed. We had seen inflation go above 25 per cent and unemployment close to 1½m. Less than half the new cars bought in Britain were made here. Instead of building three out of every ten merchant ships supplied to the markets of the world, as we did just 25 years ago, we were building only three out of every 100. Our share of world trade had been halved. And living standards in several European countries were at least half as high again as ours.

Fresh surge of recession

"We had been paying ourselves too much and producing and selling too little. During the 1970s money incomes had gone up 20 times as much as real output. That was a sure recipe for inflation, lost markets, and lost jobs.

"Through all this, of course, many companies, many individuals, continued to record outstanding successes. But all too often they were swimming against the tide. For our overall economic performance had become one of the weakest and most inflation-prone of all the major industrial countries.

"At the last election we made all this very clear. We made it plain too that reversing this decline would require a major effort, that would need to be sustained over the lifetime of more than one Parliament. And so it will be.

"But this country's problems are not ours alone. In the summer of 1979, the whole world was hit by the fresh surge of inflation and renewed recession that followed the second huge increase in the price of oil. The average price of a barrel of oil last year was $34. That was 26 times as much as in 1970, when it cost only $1.30.

"The 1979 oil shock made the task of restoring our economy both more urgent and much more difficult. And it coincided with the surge in pay, and public spending, which the outgoing Government bequeathed to us.

"So in spite of North Sea oil, Britain entered the recession in poor shape, and rather earlier than other major countries.

"Britain has, therefore, suffered worse than many. But we have not suffered alone. In the U.S., in France, and in many smaller economies, unemployment has been rising sharply. In Germany last year, the number rose by over ½m. There are now about 26m people out of work in the industrial countries.

"Even so, most Governments have reacted by continuing to give priority to the fight against inflation. And they have been making progress in that fight. But the battle is by no means won. So the outlook for the growth of world trade remains subdued.

"It is in the light of this international environment that British policy has to be fashioned.

"All too often people still talk — and behave — as if British Government decisions alone were all that mattered for the British economy, and as if we could protect or subsidise ourselves against the impact of our competitors or the decisions of other governments.

"Yet the House knows how important for the UK are the policies of the Opec countries in the world's oil markets, of the U.S. in relation to economic activity, inflation and interest rates throughout the world, and of Japan for the balance of world trade.

Interest rate volatility

"I shall have something to say later on about the impact of recent changes in the oil market. They are likely to have an encouraging effect on the international outlook for prices and output, and, in the medium-term, on the stability of interest rates and exchange rates. But at present interest rate volatility is causing understandable concern.

"At a time of growing international tension, the U.S. is shouldering burdens for the defence of freedom for which all of those on this exposed flank of Europe should be grateful. The U.S. Government is also showing admirable commitment to the maintenance of monetary disciplines. And for that too, we should be grateful. For American inflation affects us all, because of the importance of the U.S. and of the dollar in the world economy.

"We and our other friends have, therefore, a legitimate interest in the success of the U.S. Administration in reconciling its spending obligations with its own responsible pursuit of monetary discipline. If that success were only partial, there would be a risk of continuing high interest rates, which would be damaging to recovery — in the less developed world as well as in the industrial countries.

"As I have told the House on a previous occasion, there is no reason to suppose that we in this country could insulate ourselves from such pressures by the simple step of participation in the European exchange rate mechanism. That has not been the experience of the existing participants.

"Nor would concerted intervention in exchange markets be able, for any length of time, to contain the movement of funds that can be generated by the widening of interest rate differentials.

"There is, therefore, all the more reason for the closest possible understanding between those responsible for managing the major economies. For, as I have said, their policies can all have a direct, and often speedy, impact upon each other's.

"We in this country must do our best to exercise our influence on the policies of our allies and associates, both directly and through the European Community, the Commonwealth, OECD and the International Monetary Fund. And we do. That is why I attach so much importance to the regular meetings of Community Finance Ministers, and of the World Bank and the Fund, and why I look forward to welcoming to London this summer my counterparts from throughout the Commonwealth.

> **“The truth is that 'reflation' does not create jobs that last. In the longer run, it helps destroy them. If more public spending was the proper engine for growth and jobs, Britain would now lead the world in both.”**

"But let no one pretend that we could expect to exert any influence at all if our own policies failed to command respect abroad.

"It is however widely recognised abroad—though not always by some at home—that in the last three years we have made substantial progress in tackling our long term problems.

"Thanks to last year's Budget, public borrowing has gone down as a percentage of gross domestic product, giving us interest rates lower than they would otherwise have been. In the six months following the Budget, our rates were on average four points below American and French levels, and on a par with German rates, in spite of the difference between German and British levels of inflation. And output started rising from the middle of the year.

"Inflation has been almost halved since the spring of 1980. It should be in single figures during this year, and lower still in 1983.

"Productivity has been rising sharply. In manufacturing industry last year, output per man rose by about 10 per cent.

"Lower pay increases, combined last year with fast productivity growth, mean that unit labour costs in manufacturing rose hardly at all. Our performance was comparable with Germany and Japan, and better than all our other major competitors'.

"And exports were rising again by the end of 1981. In the last four months, their value and volume was well up on a year earlier. Business surveys, and most economic forecasts, point to a further rise over the next year.

"In the economy as a whole, we now expect output to grow by 1½ per cent in 1982 and by rather more in 1983.

"This gives the lie to all those who argued, not least at the time of last year's Budget, that our policies were foredoomed. The recovery that we foresaw, and worked for, is now taking place. My aim in this Budget is to nurture and help sustain it.

"I shall start by discussing the central issue of unemployment. Helping industry to become more competitive is the best way of creating future employment. But there is a clear case for direct action by Government as well. I shall have a new proposal to bring before the House.

"I shall then have something to say about monetary policy, and the level of government borrowing in the year ahead.

"Finally I shall come to the tax and other measures which we intend to take, primarily for the benefit of industry and jobs.

"So I begin with unemployment. To have millions of people at a time without work, many of them for long periods, is a tragic loss to the community. To be unable to find work is an affront to personal self-respect. This waste of human resources is today the misfortune of many societies besides our own. It is a cause of deep concern to every member of this House.

"It is no service to the unemployed to suggest that there is any swift or simple remedy.

"For years, for example, it has been argued — it is still argued today—that we could get unemployment down, if only we were less concerned to fight inflation. The right dose of reflation, more generous public spending, so the argument runs, would soon see unemployment tumbling down.

"Would that it were so easy! But successive governments for 20 years have been tempted to act on that advice. And with what result? All the time the tide of unemployment has been rising insistently from one business cycle to the next.

"The truth is that reflation does not create jobs that last. In the longer run, it helps to destroy them. If more public spending was the proper engine for growth and jobs, Britain would now lead the world in both. Yet in fact unemployment today is almost eight times higher than 20 years ago.

"The unemployed deserve a more considered response than that: one that is based on analysis of the root causes of the social blight of unemployment.

"So this afternoon, I want to remind the House once more of two figures that virtually tell it all. Since 1960 the real purchasing power of the average citizen in Britain has risen by over two-thirds. But the real rate of return on the capital employed in British industry has fallen by five-sixths. In other words, our present living standards have for years been plundered from the store of investment for the future.

"Nor have we put to good use the investment that has been made. Too often we have tried to mitigate the inescapable consequences of poor productivity and shrinking international competitiveness, by clinging to manning levels that could not be sustained.

"We have only to recall the history of the British Steel Corporation. Had we not, throughout the middle 1970s, put off the painful choices, the Corporation and those who work in it would have faced the current slump in world demand for steel in far better shape to weather it. Far fewer jobs would have been lost. Acquiescence in poor productive performance, and overmanning, may put off the evil day. But it only makes the inevitable adjustment all the harder when it comes, as come it must.

"And so today we face the huge task of helping to create the conditions in which the unemployed can obtain work, in jobs that will last. And, as a vital step in this, encouraging wages to be at a level which will enable these, more secure, jobs to be created. My principal Budget measures will help us in the right direction.

"Some of the obstacles to fuller employment have been created by successive governments. Actions taken with exactly the opposite intention have often had the effect of keeping people out of jobs, actually *adding* to unemployment.

"This Government has taken action to remove a number of these obstacles. We are seeking by our employment legislation, to create a more reasonable balance of bargaining power between the partners in industry. But in truth we need much wider change than can be brought about by Government or Parliament alone. We need a clear-sighted change in our national understanding of the problem. And then a much more practical, more flexible approach.

"The key point is this. Somewhere in the gap between the levels of income which we pay to those out of work and the earnings enjoyed by those who have a job are rates of pay which those now out of work would be glad to take, if they had the chance. But convention and a narrowness of vision prevent those bargains being struck. When jobs are in abundance, any employer will make sure that he keeps up with the market, by offering high enough pay to recruit and retain the workers he needs. And trade unions will naturally encourage him. But when business is tight and jobs are scarce, the same employer owes it to the unemployed, as well as to his own employees, to react to the changed market, to pay at rates which leave room for him to earn enough for further business and further investment —and so for new jobs. In this situation, too, trade unions have—or should have—exactly the same interest. That is the best service that any employer or union leader can offer to the unemployed.

Help for those hardest hit

"Attitudes are changing in this direction. And so prospects for employment are improving. But it will take time.

"That is why we have already committed substantial sums for special employment and training measures to help those hardest hit. Our plans for 1982-83 provide nearly £1½bn for special employment and training measures. By 1984-85, its first full year, we plan to spend over £1bn a year on the new Youth Training Scheme alone—a major advance for school leavers who cannot find jobs.

"A number of these measures — for example, the Young Workers' Scheme—are intended to help the labour market work more flexibly, to help make wage levels more responsive to economic reality, and so lead to the creation of lasting jobs.

"We should all like to do more, within what the economy can afford, to reduce the continuing personal burdens of unemployment. It is clearly right to do all we can for those obliged to spend a long time without a proper job.

"We can all see, in our local communities, tasks of environmental improvement, or of bringing help to those in need, that are crying out to be performed. Lord Scarman rightly drew attention to this in his recent report. He pointed out that there could be great advantage in schemes for socially useful activity, in place of current unemployment and social security arrangements.

"Most people believe — certainly this Government does —that it should be possible to take further constructive action along these lines. Let me give the House some indication of what we now have in mind.

"The central idea would be to give those who have been on the unemployment register for some time the chance to work for the benefit of their own community, while still getting broadly the equivalent of their benefit entitlement plus an addition for expenses and the like. They would remain free to take a regular job if it came along. And it would be for them to decide whether or not to participate in such a scheme.

"This concept may be unorthodox. Certainly it is no substitute for long-term jobs. But in today's world it makes a lot of practical sense. The Government would like to see it tried, to see it carried through successfully, on a wide, indeed a nationwide, scale, with people working on non-profit-making projects brought forward by local sponsors of all kinds, including voluntary organisations and the churches, and indeed local authorities.

"My Rt Hon Friend, the Secretary of State for Employment, is, therefore, asking the Manpower Services Commission to work up urgently a flexible and voluntary scheme on these lines, so that the Government can take firm decisions in the early summer on a new initiative for the Commission to run alongside the present Community Enterprise Programme.

"We shall look for the Commission's advice on what is possible, but for illustration net additional expenditure of some £150m a year excluding supervision costs ought to be able to support around 100,000 places, that would be excellent value for the taxpayers' money—value for the community and a constructive opportunity for those who choose to take part. We should indeed be ready to back this kind of development on an even larger scale, if the demand is there.

"The Government hope that all those in the community who could play a part in promoting this scheme will give it their early and careful consideration. And I hope that this new initiative will also be welcomed in all parts of the House.

"I propose next to describe to the House how monetary policy will operate in the year ahead. I shall, nevertheless, do so as briefly as I can, to avoid trying the patience of the House with detail. The technically-minded will find ample solace in the lapidary prose of the Red Book.

Control of money supply

"Ever since the collapse of the Bretton Woods system of fixed exchange rates in 1971, the need to control the money supply has been accepted worldwide. In this country, published targets for monetary growth were initiated by my predecessor in 1976, the year he had to seek help from the IMF. Then, as now, monetary control was supported by progressively lower public borrowing. I am sure that he was right to be converted to monetary and financial restraint, to persuade individuals and companies alike that inflation would come down.

"The Medium Term Financial Strategy which the Government launched two years ago is an extension of this approach.

"It has helped us to reduce inflation, and will continue to do so. We now have a real prospect of sustainable recovery. It is clearly right to maintain the strategy. Of course, it is right to adjust, in the light of experience, the way we pursue it. But maintain it we must.

Framework for decisions

"For it establishes the financial framework within which day-to-day policy decisions are taken.

"In last year's Budget speech I emphasised that no single measure of money can fully describe monetary conditions—they must be assessed in the light of all the available evidence. And this remains the basis of our policy.

"As intended, the overall effect of policy in 1981-82 has been to maintain downward pressure on inflation. £M3 has grown faster than the target set a year ago. This was due partly to the Civil Service strike. It has been affected, too, by structural changes in the market place — such as the rising market-share of the banks—which could have long-term effects. The growth of the wider measures of money probably also reflects greater demand for liquid assets as a medium for saving. This, too, could last for some time. So, though the stock of broad money is higher than originally expected, our judgment is that this is consistent with maintaining the steady pressure needed to achieve a downward trend in inflation.

"Certainly, the evidence as a whole does not suggest loose monetary conditions.

"As in several other countries, the narrow aggregates have grown more slowly than the wider ones. The effective exchange rate has been relatively steady since the autumn. Interest rates have been high — both in nominal and in real terms. The price of some important assets for example houses, has been constant or falling.

"I have taken account of these factors in setting somewhat higher ranges than were suggested for £M3 in last year's Red Book. The target range for 1982-83 will be 8-12 per cent. This adjustment in the monetary target does not imply any relaxation of purpose. On the contrary, it is a recognition of the pace of progress thus far, and, in the light of that, our judgement that the new ranges will be consistent with continued progress against inflation.

"The new target represents a realistic restatement of our determination to maintain a responsible monetary policy. It should be consistent with growth of money GDP at 10 per cent a year, with continued progress against inflation, and with a strengthening recovery of the real economy.

"We shall continue to monitor a range of indicators. To make more explicit the way in which we do this, the ranges I have just announced will apply to both the broad measures of money — £M3 together with PSL2 — and the narrow measure, M1.

"The exchange rate also normally gives useful information on monetary conditions. For while the Government has no target for the exchange rate, its effect on the economy and, therefore, its behaviour, cannot be ignored.

"Evidence on all these variables will continue to be taken into account. Policy decisions will be aimed at maintaining a monetary environment conducive to the reduction of inflation.

"Targets for the years after 1982-83 will be set nearer the time. Slower monetary growth is central to the Medium-Term Financial Strategy. The path for further reductions in the rate of money growth from year to year is illustrated in the Budget Red Book. The ranges have been constructed on the assumption that there are no major changes in the exchange rate from year to year.

> **“Recent experience throughout the world exposes the myth that big budget deficits are good for growth and employment. On the contrary, a responsible fiscal policy is essential for both.”**

"What I have just described provides the framework for continuing the conquest of inflation. We are winning the battle. We are determined to see it through.

"I ought also to mention changes which have been made over the past year in the techniques of monetary control. From last August, Minimum Lending Rate ceased to be posted.

"The main purpose of this change was to allow market forces a greater influence on the structure of interest rates, and to allow rates to be adjusted more promptly in response to changing economic conditions. These objectives have been met. The new arrangements have coped successfully with some severe swings both in the international markets and in the money markets here at home.

Savings rate of return

"We have also been working to even out the flow of revenue over the year, in order to ease the problems for money market operations and monetary control generally. Let me give three examples. Over the past nine months, Customs and Excise have taken steps, with the agreement of the companies concerned, to secure a more even monthly flow of VAT into the Exchequer, by adjusting the quarterly dates on which certain traders are required to account for VAT. Secondly, we are seeking a smoother payment of the building societies' composite rate tax. Finally, and most important, the proposals for oil taxation, which I shall describe later, will spread the payment of Petroleum Revenue Tax more evenly over the year.

"A central element in the Government's financial policy is that the gap between public sector spending and revenue should be financed in a way that is consistent with our monetary target. We have therefore greatly improved the balance of government funding.

"In 1979-80, when the PSBR was similar to this year's, sales of gilt-edged stock were more than eight times larger than the contribution from National Savings. This year the ratio was down to about 2 to 1. National Savings have exceeded their target, which was raised to £3½bn last autumn. I congratulate the Department on achieving these higher inflows through increased efficiency, while making its contribution to Civil Service staff reductions.

"Interest rates have come down since the current national savings certificate was introduced. It will therefore be withdrawn from tomorrow and replaced as soon as possible by a new savings certificate offering a lower but still competitive rate of return.

"New sales of gilts to the public in the past year have not needed to be more than about £7½bn, with less emphasis on conventional long-dated high-coupon stocks. In our funding policy we have demonstrated our confidence in our policies for reducing inflation. Last year I announced, as one part of our policy of diversified funding, the introduction of indexed gilt-edged stock. Over the past year, sales of this indexed stock amounted to some £2½bn.

"The right to buy this indexed gilt was restricted to pension funds and certain other institutions in respect of their UK pension business. I have now decided to remove this restriction. The Bank of England is announcing this afternoon a new issue of indexed stock on an unrestricted basis.

"The restrictions on the existing indexed gilts already in the market will also be removed today. The House may recall that the original prospectus for these stocks itself provided for the possibility of removing the restrictions. This broadening of the market should increase the usefulness of indexed gilts as a funding instrument.

"Our policy of diversified funding will continue next year, with contributions coming from indexed gilts, conventional gilts and National Savings. In the case of National Savings, the target for 1982-83 will be £3 billion, just a little below the figure for last year.

"As well as setting a proper framework for money supply growth, the MTFS sets out the Government's views on the proper level of public borrowing in the years ahead. This cannot make excessive demands on the funds available without putting upward pressure on interest rates.

"That is what governments in other countries have found out, to their cost. Recent experience throughout the world exposes the myth that big budget deficits are good for growth and employment. On the contrary, a responsible fiscal policy is essential for both.

"Last year I budgeted for a PSBR of £10½bn. Since then output has moved broadly as expected at the time of the last Budget, and the 1981-82 PSBR is still on track for the forecast outcome.

"Some argue that our fiscal policy is excessively tight, once account is taken of the effects of the recession. I do not accept this. The acid test for the PSBR is the level of interest rates at which it can be financed. My Budget decisions last year took account of the recession, and in assessing the impact of fiscal policy on the economy it is actual spending and tax payments that matter — not hypothetical estimates of what they might have been, if the world were somehow different.

"But there are some who say that our interest rates are really determined in New York anyway: and hence that the amount that we decide to borrow is neither here nor there. Such reasoning is mistaken, and the conclusions drawn from it dangerously wrong.

"Of course, it is true that international interest rates movements affect the price that we must pay for money borrowed here. But that in no way diminishes the responsibility upon us to choose policies likely to hold our interest rates in the lower part of the international range.

"Let us remember what happened last autumn. We could not resist the pressures of rates rising sharply all around the globe: we would not have been able to do so whatever the level of our own domestic borrowing. But because of the firm line taken in my last Budget, our own interest rates, even after the increase in the autumn, did not soar to the levels reached in the financial markets of a number of our competitors.

Action on borrowing

"Had I, last March, thrown caution to the winds, our rates of interest would not have come down last spring, and would have had to go up far higher last autumn. Indeed the £10½bn PSBR set for the year now ending, and the determined measures we have taken to achieve it, have again been helping us in recent weeks to bring down the cost of borrowed money.

"The fact is that while there are limits to the influence we can have on the world background, we can do something more directly about our own borrowing. The larger the PSBR we start with, the higher the interest rates we shall end up with and the opposite is also true.

"In coming to a judgment about what we can responsibly plan to borrow in the next financial year, there is one further international dimension which I cannot ignore: the recent fall in oil prices around the world.

"I cannot stress too strongly that a lower level of oil prices, if it is sustained, is basically good news for Britain and the world. It reduces industrial costs. It helps to lower inflationary expectations. It makes room for a faster growth in output, consistent with the proper monetary discipline which is now so widely applied. And, as the balance of earning power between the advanced industrial countries and the oil producers undergoes some correction, the weight of highly mobile financial surpluses, which have been such a destabilising influence on world capital markets in recent years, is likely to be diminished.

Prospects for inflation

"For this reason, the prospects for international inflation, for interest rates, for growth, and for exchange rate stability have all improved in recent weeks.

"But, for my Budget judgment, this does to some extent work both ways. My task has in part already been done for me. A drop in oil prices affects our own economy in much the same way as a cut in indirect taxes, or excise duties, or National Insurance Surcharge.

"Lower oil prices reduce costs and prices all round. They leave people in this country with more money in their pockets to spend on other things. They lower the costs of production-

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THE BUDGET: The Chancellor's Speech

£1.5bn for training • M3 growth target 8-12%

Continued from previous page

and distribution. And in addition—which a cut in our own tax rates cannot do—a fall in the world oil price promises to increase activity world-wide, and with it the purchasing power of many of our traditional customers in the non-oil developing countries.

"But that is not the whole story. When the price of oil drops our tax take from North Sea production is correspondingly reduced. Other things being equal, this would increase the borrowing requirement, though not by as much, since the beneficial effects of the oil price cut boost our revenues from other forms of activity.

"The prospect is bound to be uncertain. But in determining the size of the PSBR for tha year that starts in April I can assure the House that I have made allowance for these factors as we know them today.

PSBR of about £9½bn

"Obviously, if there was to be a prolonged fall in the oil price, below the level we currently expect, then both the beneficial effect on activity and domestic prices, and the revenue-loss effect on the PSBR, would be increased. It would be wholly irresponsible for me to rule out the possibility of having to take action to correct the fiscal balance, if that were to happen.

"The illustrative projections presented with last year's Budget envisaged a PSBR for 1982-83 equivalent to 3¼ per cent of GDP. This would be around £9bn at current prices.

"In the light of the latest assessment of the prospects I have thought it right to provide for a PSBR of around £9½bn in the coming year, equivalent to 3½ per cent of GDP.

"This is about £1bn below the expected out-turn for this year. But it is also about £1.3bn above what the PSBR would have been next year on the conventional assumptions—that is to say if the changes to income tax and specific duties which I am proposing today were only to take account of the past year's inflation.

"That £1.3bn is the PSBR cost of my Budget proposals in 1982-83. Their net cost to the Exchequer in a full year is over £3bn, compared with this year's tax and duty rates.

"The new revenue and borrowing projections published in the Red Book envisage a further decline in the PSBR over the following two years to 2 per cent of GDP, on the assumptions about growth and inflation which are there set out.

"So the size of the Government's borrowing in real terms will continue to decline from year to year. This will further ease the pressures it imposes on financial markets. And it will assist progress towards lower interest rates and lower inflation.

"So much for borrowing. I now turn to expenditure.

"On December 2 I announced the Government's public expenditure plans for 1982-83. Today we are publishing the annual Public Expenditure White Paper. This sets out the plans for next year in more detail and also contains our provisional proposals for the two following years. At the same time, the Supply Estimates for 1982-83 are being presented to the House. The House will note the new and greatly improved presentation in the White Paper. I certainly find it much easier to follow.

"In the past two years these documents have been published on Budget Day, so that all the information would he available at the same time. In this way, the Budget debate can cover both sides of the account. The Treasury and Civil Service Committee is, I know, considering the handling of these matters, and I await its recommendations with interest.

"I explained to the House in December why we had decided to increase planned expenditure in 1982-83 by some £5bn compared with the plans set out in last year's White Paper.

Reductions in taxation

"The increases included some £1.3bn of extra finance for the nationalised industries, £500m more on defence, and another £800m on special employment programmes.

"They were partly offset by a general reduction in most cash limited expenditure.

"Although most of the measures which I shall announce today involve reductions in taxation, I am also proposing some additions to public expenditure, totalling some £350m in 1982-83. This includes the an increase of £150m in the Contingency Reserve to accommodate some of the expenditure measures: this brings the reserve in 1982-83 to £2,400m. The planning total for 1982-83 given in the White Paper is £115.15bn, in cash, compared with £110.2bn which is the cash equivalent of last year's projections for 1982-83. But the increases I now propose will be more than offset by other changes in costs, and the total will therefore be £114.9bn.

"Total public sector capital spending is next year planned to be about the same — £11½bn — as expected this year. The plans allow for new investment by nationalised industries (including that financed from their own resources) of over £7½bn in 1982-83, some 26 per cent higher than the outturn now expected in 1981-82, and 40 per cent higher than in 1980-81.

"Taking account of measures which I shall be announcing a little later, spending on construction is expected to rise by 14 per cent to £10½bn in 1982-83. In particular, housing investment, and work done on water and sewerage projects, should be higher in real terms next year than this. In all these ways the Government is planning for the continued improvement of public sector services.

"For the first time we have published figures for the whole survey period in cash. Following the Budget changes, the planning totals for later years are £120bn for 1983-84, and £128bn for 1984-85, in cash. The Contingency Reserve, of £4bn and £6bn respectively, which is included in the figures for each of these years, has been set to give realistic totals in a cash planning regime.

"The programme figures are provisional and will be reviewed in future surveys. The starting point will be tha cash programmes resulting from this afternoon's announcements. The figures will not be automatically increased if inflation turns out to be higher than expected. Any alteration will be a matter of deliberate political decision. That is the essence of cash planning.

"I foreshadowed these developments in my Budget speech last year. I am confident that they will help us to keep expenditure under control.

"By far the largest single element in public spending is social security. In 1982-83 it will account for £32bn, over a quarter of the total.

"About balf of this goes to the elderly, who deserve our special consideration. This Government bas been determined to preserve the full purchasing power of the social security retirement pension. We shall accordingly raise the pension rates, to cover the expected increases in prices for the 12 months to next November.

"When I published the Industry Act forecast last December, I expected that increase to be 10 per cent. That was an appropriately cautious central forecast. But the outlook for inflation has clearly improved since December. My similar forecast now is that prices will go up by only 9 per cent in the same 12 month period.

"But I do not propose to raise the pension rates only by 9 per cent. We intend also to compensate pensioners for the fact that last year's increase was based on a forecast of the rise in prices that was 2 per cent below the actual rise.

"Retirement pensions will thus go up next November by a total of 11 per cent.

"The standard rate will be increased by £3.25, to £32.85 a week, for a single person, and by £5.20, to £52.55, for a married couple.

"There is of course no Government commitment to full price protection except for the retirement pension and associated benefits. During the debate on the Government's public expenditure plans, we said that a decision about the 2 per cent shortfall in the value of other benefits would be announced at Budget time.

"The main ones are unemployment benefit and supplementary allowance, sickness and injury benefit, and maternity allowance. I bave received many representations that the 2 per cent ahortfall should be restored on these benefits also. And we have decided that it should be.

❛ We shall need to give much further thought in the coming year to the problem of how best to ensure a sufficient contribution to tax revenues from the banking sector.❜

"This means that the rate of unemployment benefit will rise from £22.50 a week to £25 for a single person, and from £36.40 to £40.45 for a married couple. Details of the other benefits will be announced tomorrow by my Rt. Hon. Friend the Secretary of State for Social Services. We have also decided on some changes in the rules governing payment of benefits. These are in response to representations we have received, and will be widely welcomed. My Rt. Hon. Friend will give details in his announcement tomorrow.

"There are, however, some further changes which I should announce today. First, child benefit, which is an important source of income for many — especially the lower paid with large families. From next November it will go up by 60 pence a week from £5.25 to £5.85. It will thus have been increased by 23 per cent over two years, and so fully protected against inflation.

Help for charities

"The additional one-parent benefit will be increased by 35p to £3.65. And in the case of the Family Income Supplement, the prescribed amount for a one child family will go up from £74 to £82.50.

"I shall have something to say a little later about the Mobility Allowance,

Ashley Ashwood

Sir Geoffrey Howe leaves his room in the House of Comons to go to the Chamber

"The full year public expenditure cost of all the changes in the Social Security field which I bave mentioned will be some £3,000 million. The extra cost in 1982-83 will all be accommodated within the public expenditure totals I have just announced.

"I turn now to help for charities.

"The Government is deeply conscious of the contribution to our national life that is made by many of our charitable organisations. Two years ago, I introduced substantial new tax relief for convenated donations to charities. I also doubled the exemption from capital transfer tax for charitable bequests or gifts made within one year of death.

"We have been urged to relieve charities from VAT on their purchases. The attractions of this are obvious. But it raises substantial difficulties. The more one studies how it might be done — and we have looked into it exhaustively — the more insuperable appear the problem of definition of administration and of equity that stand in its way. So, reluctantly, I have bad to be satisfied with other ways of helping charities instead.

"First, I propose to take the Capital Transfer Tax exemption for qualifying gifts to charities a stage further, by increasing it, for gifts made within a year of death, from £200,000 to £250,000.

"Secondly, I intend to abolish Stamp Duty completely on transfers of assets to charities.

"Thirdly, as the National Council for Voluntary Organisations has suggested, I propose to remove beyond all doubt any liability to Development Land Tax where a charity disposes of property which has been subject to roll-over relief.

"Taken together, these measures constitute significant new assistance to charities and voluntary organisations. They build still further upon the significant benefits which charities have derived from earlier action by this Government. Our record continues to be one in which we can justifiably take pride.

"I now come to the particular problem of the disabled which we have always had very much in mind. Last year, the International Year of the Disabled, I introdnced a range of value added tax reliefs for charities concerned with the disabled. I am now able to announce three further measures of help.

"First, there will be some extension of the existing VAT reliefs for disabled people and the charities serving them.

"Secondly, mobility allowance. The rate will be increased —by more than the expected rise in prices—from £16.50 a week to £18.30. This will mean that it has risen by over 80 per cent since the Government took office. This represents a considerable increase in real terms.

"In addition I propose this year to respond to a particularly important request made on behalf of the disabled to successive governments in recent years. I propose that from April 6 the mobility allowance should be wholly exempt from income tax. This is a major step: it means an increase in net income of up to £5 a week for the working disabled. They deserve every encouragement, and the change will, I know, be widely welcomed.

"The provision aod organisation of welfare benefits is only one of the many tasks of government.

"The whole cost of government administration does indeed impose a formidable hurden upon the taxpayer. Out of total spending of £105bn in the current year, the Government's running costs amount to over £12bn. The importance of keeping tight control of these costs is, therefore, manifest.

"This is wby we set ourselves the task of reducing the size of the Civil Service, from 732,000 in 1979 to 630,000 by April 1984. We are on target. Numbers are down already by 57,000. We now bave the smallest Civil Service for 15 years.

"Local authority manpower, on the other hand, has come down hy ooly 3 per cent since 1979, less than balf as much as in the Civil Service. The importance of further progress needs no underlining.

"Efficient cost control means getting pay rates right, as well as controlling staff numbers.

"Later in the year the Committee of Inquiry under Sir John Megaw will be making recommendations about Civil Service pay arrangements for the future. In considering their report we sball aim to be fair to public servants, and to the taxpayer.

Public sector strikes

"But the Government is also responsible for the nationalised industries.

"In deciding bow much public finance to make available to them, the Government must be influenced by their performance in controlling their own costs. Every 1 per cent they save on labour costs is worth another £140m that they could use for investment, or to reduce prices.

"Yet even now this lesson has not been fully learnt. Seven ont of every 10 days lost because of strikes in the past two years were within the public sector. The continuing rail dispute, about prodnctivity improvements and up-to-date labour practices that should have been introduced years ago, demonstrates how far there is still to go. In the ahsence of increased productivity, willingly accepted, it is not easy to justify increased investment.

"This is why we intend to widen the exposure of the public sector to the discipline of the market-place. One way of doing this, that has been commended on all sides of the House, is by the introduction, under the right conditions, of private capital. Those conditions must ensure fair competition with the private sector for capital. They must also ensure that the consequent higher cost of borrowing is offset hy greater efficiency.

Telecom bond experiment

"The Government has now decided to accept, in principle, the proposal for British Telecom to issue a bond to raise market capital in this way. The return to the investor would be based on the profits earned by the corporation.

"British Telecom will be expected, as a condition of access to market finance, to keep tariff increases at least 2 percentage points below the annual movement in the RPI, and to reduce real unit costs, in 1982-1983, by a minimum of 5 per cent, with further reductions to he agreed for later years.

"We shall have to satisfy ourselves, in the light of market conditions nearer the time, that the bond represents good value to the Government and Britisb Telecom, as well as the investor. Subject to that condition, the aim will be to go ahead with an initial sale in the autumn, of up to £150m. This will be an important experiment in exposing the performance of a nationalised industry to the judgment of the market-place.

"But above all it remains our purpose, wherever possible, to transfer to the private sector assets which can be hetter managed there. In the private sector, businesses have to respond to consumer needs. The pressure on enterprises, formerly in the public sector, to do the same at once hecomes much greater if they are transferred.

"We have made considerable progress. Tbere bas been some controversy about the method of selling shares in Amersham International. But for those inclined to be wise after the event, it is worth pointing out just how much greater public interest in the sale proved to be than commentators expected when the terms were first announced.

"It is, in any case, a cause for satisfaction that the great majority of Amersham employees are now shareholders in the enterprise for which they work. For the great majority of people, this is the right kind of public ownership.

"Legislation is on the statute book enabling us to transfer to the private sector the British Transport Docks Board, and British Airways, and to permit the sale of subsidiaries in Britisb Telecom and British Rail. Within the last few weeks we have transferred the National Freight Company to a consortium led by its own management. And British Aerospace, and Cable and Wireless, are now firmly established in the private sector.

"Our plans assumed that asset sales of this kind would total about £500m this year. We expect to achieve that target. The Government looks forward to further disposals in the next two years. We are seeking powers to sell the offshore assets of British Gas and to permit the introduction of private capital into the National Bus Company. The most important transfer will be the sale of 51 per cent of BNOC's oil-producing business, for which a Bill is now before the House.

Reduction in NI surcharge

"I now turn to wbat can he done in this Budget directly to benefit business, industry, and hence jobs.

"Our prime purpose is to help private commerce and industry to belp itself, by cutting its costs. And I have no doubt, from the representations I have received, tbat the single measure business would most welcome is a reduction in the National Insurance surcbarge.

This surcharge was imposed and then increased by the previous Government. Indeed, in their last two-and-a-half years in office, the last Government increased the combined charge on employment, the employers' National Insurance contribution and the National Insurance surcharge, from 8½ per cent to 13½ per cent.

"The surcharge is, of course, a tax on employment. It raises production costs. It is not rebatable on exports and it either puts up prices or cuts into profits. But it is an extremely cost-effective tax. It raises large amounts of revenue, at little administrative cost. It is much easier to put on a tax of this kind than to take it off.

"This Government has already protected businesses, and so employment, from any increase in employers' National Insurance contribution rates for two consecutive years. Had we not done so, employers would have had to find nearly £1 billion more in tbe coming year than will actually be the case.

"It is now time to offer more positive relief. I accordingly propose to cut the rate of the National Insurance Surcharge from 3½ to 2½ per cent. This will help to reduce costs throughout the economy and will be of value to all businesses, whatever their tax position.

"The cut will operate from August 2, which is the earliest practicable date.

"But I am anxious that industry should not suffer from this unavoidable delay. I shall therefore propose an extra ½ per cent reduction between August 1982 and April 1983. The effect of this will be to ensure that business as a whole will enjoy in the last two-thirds of 1982-83 the equivalent of a whole year's reduction of 1 per cent in the surcharge.

"This proposal is intended to reduce business costs in the private sector. However public sector employers also pay the surcharge, and in order to leave them exactly where they would have been without the change, appropriate reductions will be made in the relevant cash limits and the Votes of central government and the NHS, in the Rate Support Grant to local authorities, and in the External Financing Limits of the nationalised industries. The necessary changes will be announced as soon as possible. This will reduce the cost to a net figure of £640m in 1982-83.

"The aim of the relief I bave just announced is to belp business costs and employment. If it were to find its way into higher pay, that would totally defeat the object of the exercise, and would obviously have to be taken into account in future.

"It is crucial that this should not happen. In proposing this reduction, we are offering business and industry, management and workforce, an exceptional opportunity to improve their own performance and prospects. I believe that they will take it.

"I come now to the indirect taxes. I propose no change in the rate of VAT.

"For the excise duties there has grown up in recent years a sensible presumption that they should be adjusted in line with the movement in prices from one year to the next. That, after all, is wbat bappens automatically with VAT and the *ad valorem* duties, and also to the personal tax allowances, unless parliament decides otherwise. And that is the basis of my approach to excise duty changes this year.

"I start with the duty on tobacco. Last year the duty was increased twice — in March as part of the Budget measures and in July to help recoup the loss of revenua from the derv duty reduction.

❛ I also propose that foreign currency accounts belonging to individuals who have no connection with the United Kingdom should not be caught by the Capital Transfer Tax.❜

"I bave taken account of that in proposing this year an increase that is the equivalent of 5p, including VAT, on the price of a typical packet of 20 cigarettes. There will be consequential increases for other tobacco products. These changes will take effect from midnight on Thursday.

"Next, alcobolic drinks. I propose to increase the dnties from midnight tonight by amounts which represent about 2p on the price of a typical pint of beer, 10p on a bottle of table wine, and 13p on a bottle of sherry — all including VAT. The full increase in the price of a bottle of spirits necessary to take account of inflation would have been over 50p. However, in the light of the representations about the state of the Scotch whisky industry which I have received from hon. friends representing Scottish constituencies and others, I have decided that it would be appropriate to limit the increase on spirits to 30p a bottle, again including VAT.

"Next, the oil duties. Last year, as the House will recall, I felt it right to go some way to meet the representations made to me hy hon. members in favour of a lower increase in the case of derv than of petrol, in view of the impact of derv duty on industrial and distribution costs. I have decided this year slightly to widen that differential.

"There is a strong case for a larger increase in the petrol duty than in the other duties, for our average pump prices are currently among the lowest in the European Community. They have moreover been favourably affected by the recent changes in the price of oil. Pump prices bave been falling rapidly.

"Against this it has been impressed upon me by a number of my hon. friends from rural constituencies, in all parts of the kingdom, that pump prices in remote areas are very mucb higher than those in more heavily populated areas. Yet dependence on cars for transport is greatest in the more scattered communities.

"On balance, I think it would be right, at least at this stage, not to impose any real increase in the oil duties. I propose, therefore, to limit the increases in the duties on both petrol and derv to amounts which no more than compensate for one year's inflation. The duty on petrol will accordingly increase by the equivalent, including VAT, of about 9p a gallon or 2p a litre. This will still leave most pump prices lower than they were at the end of last year. The duty on derv will increase by the equivalent, including VAT, of about 7p a gallon or 1.5p a litre. As almost all derv is used by businesses, this smaller increase will help to hold down business costs.

"As last year, I propose no change in the rate of duty on heavy fuel oil. I am not able, as some would wish, to cut the duty rate, but leaving it unchanged will help industry as the duty burden continues to fall in real terms.

"Last year I undertook to review the rate of duty applied to aviation gasoline, or AVGAS. I have given very careful consideration to the representations which I have received on behalf of air taxis, flying schools, crop-spraying and other specialist services, and from those concerned with air travel in the Highlands and Islands of Scotland.

"I cannot accept in full the arguments which bave been put to me, but I have decided that it would be right to reduce the AVGAS duty rate to one-half of that on petrol. Including VAT, this amounts to a reduction of about 32 pence a gallon or 7 pence a litre.

"All these changes take effect for oil delivered from refineries and warehouses from 6 pm tonigbt.

"I also propose to increase most rates of vebicle exclse duty. For the motorist the increase will he £10, from £70 to £80. Dnty levels on most other groups of vebicles will he increased by about 12 per cent.

"I propose to make two important changes in the VED on commercial vebicles. I have decided that it would offer a substantial, and justifiable, help to small and medium sized businesses at this time to bring the duties on about half a million light commercial vans more closely into line with those on cars.

"On the other hand, it would be appropriate, in the light of the conclusions of the Armitage Report, to impose on the heavier lorries—the 80,000 or so of more tban 9 tons unladen weight—a licence duty wbich more closely reflects the actual cost which they impose on the road network.

"So the duty on this category will be increased hy about a quarter. These changes have effect for licences taken out after today.

"The changes I propose for commercial vehicles reflect the Government's intention to get a fairer balance between the taxation burden on different groups of lorries and their road costs. I propose to take a further step in this direction by including in the Finance Bill provisions for restructuring the basis of VED on heavy lorries, to a gross weigbt method of assessment, and for taxing all light commercial vehicles in due course at the same rate as cars. The House will recall that the framework for this major reform of the VED system was set out in the 1981 Transport Act. It will involve substantial changes in the pattern of commercial vehicle taxation and I think it right that the road transport industry should have time to adjust. I therefore propose that the rates of duty on the new gross-weight basis should take effect from October 1.

"And, last of the excise duties, taxes on betting and gaming. Many of my Hon. Friends pressed last year for substantial increases here; and I made some changes in July. I now propose no further increase in the rates of dnty on general betting and hingo, hoth of which were increased then.

Gaming machine review

"But I have decided that pool betting dnty, which has been unchanged since 1974, should go up from 40 per cent to 42½ per cent from April 1. I also propose increases from the same date in the rates of dnty on casinos, where I believe the existing rates are too low. Full details of the new rates, and other changes which I shall be announcing today, will be given in press notices this afrtenoon.

"My rt. hon. friend, the Chief Secretary, announced last summer that Customs and Excise would nndertake a comprehensive review of gaming machine taxation. A very large number of representations were received during the course of this review, from and on behalf of clubs, public houses, amusement arcades, and others. In the light of tbese representations I have decided that it would not be appropriate to introduce an *ad valorem* duty on gaming machines, or to impose an excise duty on amusement machines, such as Space Invaders. I have also decided that duty should no longer be charged on 2p gaming machines which are mostly to be found in the seaside arcades.

"However, I have decided that there should be significant increases from October 1 in most rates of the existing licence duty on 5p and 10p gaming machines.

"The total effect of all these changes on excise duties will be to raise an additional £1,150m in 1982-83 and £1,165m in a full year. The impact effect on the RPI will be about three-quarters of 1 per cent. This has been fully taken into account in my forecast of falling inflation in the year ahead.

"I have spoken of the oil duties: I now turn to the oil-fields. The development of the North Sea has been a story of enterprise and success, which is almost entirely due to the skill and enterprise displayed, and risks accepted, by the private sector. As a nation, we must never forget the great debt we owe to those on the oil rigs and elsewhere, who have been responsible for exploration and development. It is important for them as well as for the British people that the rewards should be fairly shared.

"Last year, in the light of the massive increase in oil prices which had occurred in earlier years, we changed the structure of North Sea tax, to make it more responsive to changes in price. At the same time tax revenue from the North Sea was brought forward, with an increase in the total level of taxation. I also invited the industry to suggest better ways of raising the revenue we needed. I am grateful to them, and others who have commented, for their careful and considered response.

"As I have mentioned, the current fall in oil prices reduces the revenue the Exchequer receives. I recognise that it reduces the revenues of the oil companies as well—but it also reduces the tax they have to pay.

"Detailed study has convinced me that, subject to some marginal adjustment, the total tax burden is not such as to discourage exploration or development. Nor is it so high as to deprive the oil industry of a reasonable and often attractive yield.

"In these circumstances I cannot reduce the overall tax burden to the extent that the industry would have wished. But I do agree with them on the need for some change of structure.

SPD to be abolished

"I see, in particular, the advantage of profit-related taxes in relation to additional investment in existing fields. The Supplementary Petroleum Duty will therefore be abolished with effect from the end of this calendar year.

"I propose at the same time that the rate of Petroleum Revenue Tax should be increased from 70 per cent to 75 per cent; and that arrangements should he introduced for advancing PRT payments. Advance payments of PRT, although computed in the same way as SPD, will not be a separate tax but simply an acceleration of the existing tax.

"They will thus differ fundamentally from SPD in being fully set off without limit against ordinary PRT liabilities when these arise. This structural change is one which representatives of the industry bave proposed.

"As from mid-1983, there will also be a monthly instalment system of payment of PRT in order to secure a smoother public sector cash flow.

"These changes will not affect the revenue yield of rather over £6bn in the coming year. But in 1983-84 there will be a net cost, after allowing for the saving in interest due to the new system of instalment payments, of some £70m.

"I bave spoken earlier about current uncertainties in relation to oil prices and the future yield of tax from the North Sea. But I am aware of the concern felt by the industry about the number of changes in the regime there have been in recent years.

"For this reason, my bope is that the new tax structure I have proposed will provide a more secure and stable regime for the future, permitting development to go ahead, uninhibited by major fiscal uncertainties.

"I propose a number of other minor changes, partly in response to the views put forward by the industry. And I propose that regional development grants paid in respect of expenditure incurred after Budget Day should be taken into account for the purposes of PRT and ring fence Corporation Tax.

"We shall also need to legislate next year to deal with certain special problems affect-

Continued on next page

THE BUDGET: The Chancellor's Speech

Pensions up 11% • Beer up 2p, petrol 9p

Continued from previous page

ing PRT expenditure reliefs, pipeline tariffs, and other non-oil receipts: these will be the subject of a consultation document which will be issued shortly.

"These fiscal measures, combined with the decisions we have already announced on the abolition of the state's sole right to buy gas, and on the creation of the new private sector oil company, will provide a sound basis for another decade of successful enterprise in the North Sea.

"I turn oow from the energy indnstry to its industrial customers, to whose problems we have given a great deal of attention in recent years.

"Last year, I announced substantial help for industry on energy prices. The NEDC task force, which has made a valuable contribution to a wider understanding of these matters, reported in November that these changes had significantly improved the position of large energy users here, compared with their continental competitors.

"But we are very conscious of the problems which remain, at least for some industries.

Foundry coke price held

"The Government has accordingly discussed with the electricity supply industry their pricing proposals for 1982-83. I am glad to be able to announce that these will include new special arrangements to benefit larger users—those heavy industrial users who face the greatest difficulties. A scheme will be introduced, under which customers can gain significant reductions in their charges in return for a commitment to accept load reductions. The industry estimates that over 100 major companies should benefit.

"This will be in addition to the arrangements for electricity prices which I announced last year and which will continue this year. But both the number of customers able to benefit from the new scheme, and the extent of the benefits, on average, will be greater.

"To pay for these measures, we are increasing the external financing limits for the electricity industry (including Scotland) by some £100m in 1982-1983. These costs are additional to the EFLs shown in the Public Expenditure White Paper.

"Some large industrial users of gas face similar problems; and here, too, we propose significant relief. For contract customers the price of gas after the first 25,000 therms in the contract year will be frozen at the level charged on April 1, 1982. This freeze will apply until the end of 1982. The cost of this measure is forecast to be some £60m.

"In addition, we have asked the National Coal Board to renew the measures first announced last year so as to avoid further increases in the list prices for foundry coke until the winter. The board's deficit grant and EFL will be adjusted accordingly and the cost will be met from the contingency reserve.

"Last year I announced the introduction of grants towards the costs of converting from oil-fired boilers to coal. We have now decided to extend the scope of these grants to cover conversions of other industrial oil-fired equipment and conversions of gas-fired equipment to coal.

"The scheme will also now cover conversions in service industries as well as in manufacturing. At the same time we are reducing the qualifying threshold for the total project cost from £25,000 to £15,000. This will help a large number of smaller firms, particularly in the horticultural industry. The cost of these changes will be met from within the £50m already allocated for this scheme.

"Taken together with the measures announced in my last Budget, these three measures — special arrangements for large electricity users, the freeze on gas contract renewal prices and on list prices for foundry coke — should reduce the energy costs of British industry, compared with what they otherwise would have been, by over £250m over the two years concerned. They represent a serious and significant response to industry's representations on energy prices.

"I turn now to the continuing effort to encourage innovation in industry. If we are to win still more worthwhile orders both at home and abroad British industry must continue to improve its design and production techniques.

"There is no more important area to which this applies than microelectronics and information technology. The Government have already given a lead by designating 1982 as Information Technology Year. We have already authorised investment of well over £2bn in the British Telecommunications network in the coming year—more in real terms than at any time since 1974-75. This investment will breed new services, new firms and new jobs. So will the development of alternative and competing services for electronic communication such as the new Mercury network for business.

"Because new technology is important on a wider front, I propose to make a further allocation for this purpose. My Rt. Hon. Friend, the Secretary of State for Industry, will shortly be announcing a series of new and expanded schemes. These will include additional assistance towards space technology, and production engineering—including the introduction of a special scheme of assistance to small engineering firms.

"And the 100 per cent first-year allowances for leased television sets, which were due to be phased out this June, will be extended for a further year for sets incorporating a teletext facility. This will encourage the wider use of a leading product of British Information Technology.

"These measures will be worth £130m over three years.

"I have now virtually completed my review of proposals involving spending, and spending foregone. I have described my decisions on excise duties, and the major cut in National Insurance Surcharge which we propose. In the remainder of my speech I shall be dealing primarily with fiscal issues.

"I wish to deal first and briefly, with the key issue of fiscal justice. All Chancellors of the Exchequer come under pressure every year to remedy hardships and anomalies in the tax system. This year has been no exception, and by the end of this afternoon I shall have

> ❛ I cannot stress too strongly that a lower level of oil prices, if it is sustained, is basically good news for Britain and the world. It reduces industrial costs. It helps to lower inflationary expectations. It makes room for a faster growth in output. . . ❜

been able to meet a large number of such points.

"But there is another side to this medal. Justice is indivisible. Justice to the taxpayer must be matched by justice to the Exchequer. The revenue must be protected and maintained if the burden is not to fall more heavily on the general body of taxpayers.

"We must all be glad to see the courts adopting a new approach towards artificial avoidance schemes. As a direct result, we expect to collect a very large sum of tax, possibly as much as £400m, which might otherwise have been avoided.

Action on tax avoidance

"The proper vigilance of the Revenue Departments in these matters needs to be matched by the determination of Parliament to legislate where this is needed. Last year I asked Parliament to do so on a number of important matters. This year I propose further action.

"We must, however, tread a very careful path between safeguarding the interest of the taxpaying community on the one hand and avoiding economic damage on the other.

"This need for caution applies, for example, to the proposals affecting the tax liability of companies engaged in international business, on which the Inland Revenue put out consultative papers last year.

"These papers and the draft clauses dealing with these matters have caused considerable anxiety. In the case of company residence the primary objective was simply to replace the present ill-defined rules with ones which were clearer and more certain. This was not an attempt to extend the coverage of the tax. But I accept that some people might be adversely affected. The matter therefore needs to be looked at again.

"The problem of tax havens was a different one. If one has an open world in which there is free movement of capital and of persons—something which in itself is a good thing—this offers increased opportunities for tax avoidance. We must be very careful not to prejudice legitimate business, particularly because of the importance of London as a financial centre. We need to find the right middle road, and one which is accepted as right. It is to this end we shall be directing our efforts. Clearly this precludes legislation this year on any of these topics.

"I now turn to the areas in which I do propose to take action in this Finance Bill.

"First, international leasing. At present, assets leased abroad attract capital allowances at what is, in many cases, a favourable rate of 25 per cent per annum. Leasing of this kind has grown sharply.

"Moreover, there is evidence of UK tax incentives being used to subsidise deals between other countries—deals by foreign businesses in foreign-made goods, competing with our own home producers. I therefore propose, for new commitments after today, to reduce from 25 per cent to 10 per cent the rate of writing-down allowance for all assets leased abroad.

Film investment allowances

"Second, films. Investment in films qualifies for 100 per cent first year allowances. As with other capital allowance provisions, these investment incentives are available without regard to whether the film is made in this country or overseas.

"There is evidence that schemes for investment of this kind—primarily in foreign-produced films—are currently being marketed actively in this country. The potential loss to the revenue is very great.

"I propose, therefore, to withdraw the 100 per cent first year allowance for films and to introduce in its place a provision which will, in broad terms, allow companies to write off expenditure over the income-producing life of the film.

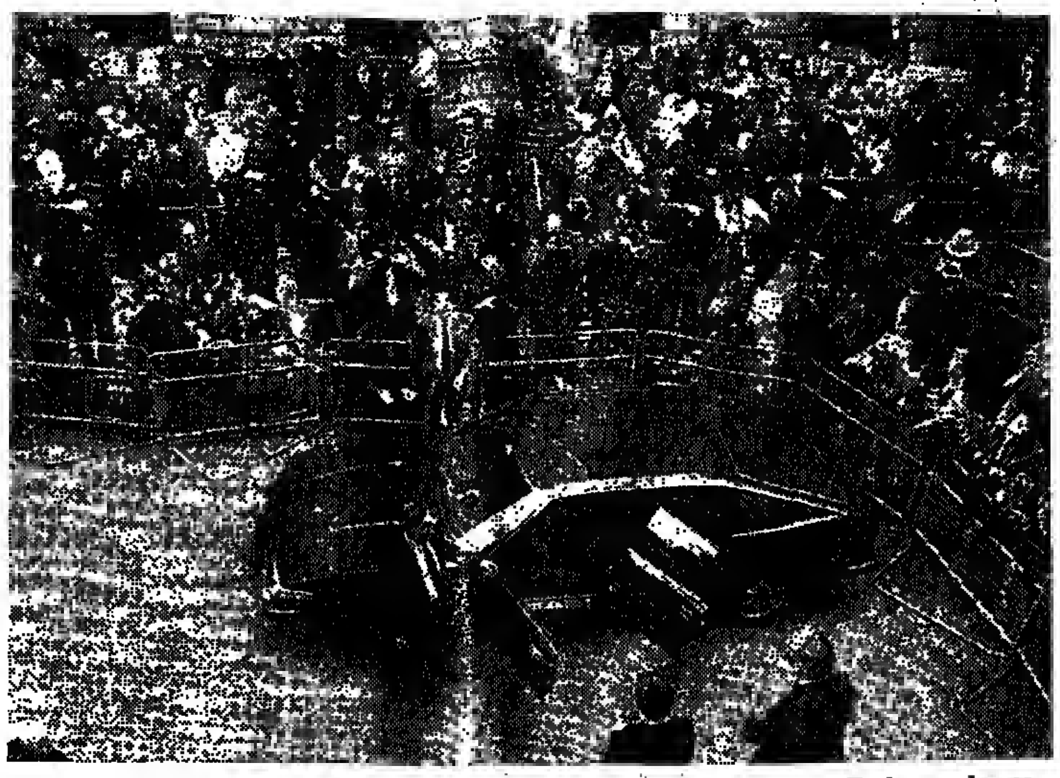
"A change of this kind could have serious implications for the British film industry, if introduced immediately, at a time when there are signs that it is just beginning to establish a new and more competitive position.

"I intend therefore to introduce transitional relief for British-made films — broadly speaking, films registered for the purposes of the Eady levy arrangements—for a two-year period. I shall be consulting the industry about the form which this assistance might take.

"Third, shipping. Here again, arrangements are being made to exploit UK investment incentives for the benefit of foreign businesses. In this case, a typical arrangement may involve a foreign shipping company chartering a vessel built abroad from a company specially set up in the UK to attract 100 per cent capital allowances. I propose to reduce the rate of capital allowance in these cases to the 10 per cent rate for international leasing generally. I am concerned to safeguard the position of British companies chartering their vessels abroad in the course of a genuine shipping business, and I shall be discussing with the shipping industry how best to do this.

Double tax relief changes

"On each of these three subjects — international leasing, films, shipping—the changes will take effect from today. I shall be bringing forward the necessary detailed legislation at



The scene outside 11 Downing Street as Sir Geoffrey Howe, Chancellor of the Exchequer leaves to make his Budget speech in the House of Commons

Committee Stage.

"Fourth, so-called Section 233 loans. These are contrived arrangements under which interest paid on certain bank loans escapes liability to corporation tax in the hands of the banks. In future these payments will be taxed like other interest payments. The new rules will apply from today. In the case of contracts entered into before today, the new rules will apply to payments due on or after April 1, 1983.

"Fifth, by taking advantage of double tax relief banks can lend overseas at abnormally low interest rates at the expense of the UK taxpayer.

"I propose to include in the coming Finance Bill measures to stop this exploitation of our tax system. They will take effect from April 1 1982 but in the case of existing loans will apply only to interest arising from April 1 1983.

"While the measures I have announced will help, we shall need to give much further thought in the coming year to the problem of how best to ensure a sufficient contribution to tax revenues from the banking sector. The problem is not an easy one, as the benefit of some of the devices I have just described is shared between the banks and their domestic customers. There is a danger that measures directed to ensuring that the banks pay a more equitable amount of tax are all too simply bypassed by the banks shifting the burden on to their customers. For these reasons I have forborne from taking action earlier, but as Burke said, 'There is however a limit at which forbearance ceases to be a virtue.'

"On a different note, a number of building societies have recently issued a new form of negotiable bond. I have no reason to believe that any improper use has been made of these new bonds. But as an obvious precaution, I propose to extend to these bonds, from today, the existing provisions dealing with the 'manufacture of dividends.'

"I also propose some tightenup of the law relating to very large golden handshakes. The tax relief will be withdrawn on a sliding scale with the effect that the excess of sums over £75,000 will be fully charged to tax.

"We owe it to the ordinary taxpayer to take action in these fields. It is on him that the cost would fall if we did not do so.

"I now revert to my principal theme: help for business and industry, and hence for jobs and people. Last year's Budget contained a number of measures to help the construction industry, an industry which can make a particularly significant contribution to the creation of new jobs. It is, accordingly, right to give it further help this year.

"As I have already mentioned, our new public spending plans provide work for the construction industry in 1982-83 worth about £10½bn — an increase of 14 per cent.

"This year local authorities have greatly underestimated the success of our policy of selling council houses and land. The extra revenue which this is bringing in has not been spent. For 1982-83, they have been assured that they can spend up to a total of some £3bn on housing.

"This will include about £1bn of funds which they can expect to receive mainly as a result of the success of the right-to-buy legislation. This should allow an increase of nearly one third in the scale of their capital spending, compared with what they seem likely to spend in 1981-82.

"In addition I now propose a change for 1982-83, designed to help private home-owners whose houses fall well short of today's standards.

"The value of grants given for major repairs, and for the provision of basic amenities in the home, under the Home Improvement Grant System, will be increased for a limited period, to a maximum 90 per cent of the eligible cost, instead of the 75 per cent currently available.

Home insulation grants

"This increased rate of grant will apply only to applications received before the end of 1982. The purpose is not to add to longer term demands on the industry but to encourage the take-up of immediate spare capacity. We also intend both to enable more people to get grants for home insulation and to increase the value of these grants.

"To pay for these changes and to encourage local authorities to make more general improvement grants available, their capital allocations in 1982-83 will be increased by £100m. This will be over and above the expenditure provided for in the White Paper.

"My Rt. Hon. Friend, the Secretary of State for the Environment, has already announced measures for 1982-83

> ❛ Special arrangements for large electricity users, the freeze on gas contract renewal prices and on list prices for foundry coke, should reduce the energy costs of British industry, compared with what they otherwise would have been, by over £250 million . . . ❜

to give priority to inner city projects that offer the greatest degree of participation by the private sector.

"Building on this, up to £70m of the provision for the Urban Programme and for Derelict Land reclamation in 1983-84 will be earmarked for projects that encourage participation by the private sector.

"We have also decided to offer further encouragement to the private sector and nationalised industries to bring derelict land into productive use; we shall increase the grants payable, from 50 per cent of the cost of reclamation to 80 per cent, in Assisted Areas and Derelict Land Clearance Areas when legislation can be brought forward. The cost will be contained within the existing programme.

"In addition, we shall give further encouragement to new private investment in housing for rent. I now propose to introduce capital allowances, at the rate of 75 per cent for the first year only, for expenditure on the construction of properties wholly for letting as assured tenancies by bodies approved by the Secretary of State. The scheme will run for an experimental period of five years. Allowances may be claimed for expenditure incurred as from today.

"In my Budget two years ago, I introduced the small industrial workshop scheme, under which industrial buildings allowance can be claimed on the construction of small buildings at the rate of 100 per cent. The scheme has been a resounding success.

"Over 5,000 new workshops have already been constructed for letting to small businesses, at an estimated Exchequer cost, spread over several years, of £125-£150 million.

"The scheme has succeeded in increasing the stock of industrial workshops at or near the upper size limit. But there has been relatively little investment at the very small end of the range. I therefore propose to extend the scheme for very small workshops, of not more than 1,250 square feet, for a further two years, until March 1985.

Small workshop scheme

"I also propose to bring within the scope of the industrial buildings allowance certain kinds of servicing, repairing and warehousing activities. This too will improve the small workshop scheme.

"I also propose to deal with the liability to VAT of certain kinds of building alterations, where there has in the past been serious doubt about what was liable to charge. A recent judgment of the House of Lords would have led, if applied in its entirety, to VAT being charged at the standard rate on a range of non-structural building alterations which had previously been free of charge. Though clarifying the law, this judgment would have imposed an extra £80 million of tax on the industry, which it can ill afford at present.

"So I intend to re-establish the clarity needed, but in a way which will relieve the industry of all but £10m of the extra tax burden. I shall, in due course, lay before the House an Order, which will have the effect of continuing to zero-rate three important kinds of alterations which might otherwise be adversely affected by the House of Lords' judgement.

"These are the most commonly recognised forms of double glazing, loft and cavity wall insulation and damp-proof coursing. This useful simplification of the law will cost the revenue about £70m a year.

"The other kinds of non-structural alteration covered by the judgement will become subject to VAT but, pending the completition of discussions with the industry, no steps will be taken to apply the tax before about the beginning of September.

"My final proposal in this area concerns Stamp Duty on house purchase. I propose to raise the exemption by £5,000, to £25,000, and the other thresholds also by £5,000, at a total cost of £70m in 1982-83.

"This change should be widely welcomed. It will help to improve job mobility and give some encouragement to house construction. But most of all it will help those who have been saving to buy their first homes. By the end of this Parliament, nearly three out of five families will own their own homes. This will represent a significant extension of the property-owning democracy.

"And, taken together, these proposals will mean more work for the construction industry, and more jobs for those who work in it.

"Evident in the measures I have announced so far is the Government's consistent determination to help create the right conditions for the new investment needed to create new jobs. But this Budget, like its two predecessors, is designed also to provide a special tonic for small businesses.

Distortion of balance sheets

"There can be no doubt that higher rates of interest and the consequent reluctance of companies to borrow long-term at high fixed rates have caused a distortion of balance sheets. Too much reliance is now placed on short-term bank finance. As a result there is additional pressure on monetary growth.

"A number of suggestions have been made for reducing the burden of interest rates on companies. We are all indebted to my hon friend, the member for North-West Surrey, and others, for the way in which they have focused public attention on this problem. In many cases, the selectivity in the remedies proposed would favour lending by the banks, and lending to 'tax-exhausted' companies. We have considered these ideas very carefully. But they raise difficult questions of principle, and we are not persuaded that they offer the best solutions to the problems they are designed to solve. Moreover, consultations are still not complete on the Corporation Tax Green Paper, which raises major questions about incentives to investment, and we are still considering how best to ensure a proper contribution to tax revenues by the banking sector.

"However we can all agree that the basic problem of financing profitable expansion and investment demands urgent and continuing attention. A particularly important aspect of this is the provision of equity capital, about which I have some new proposals to make.

"The Business Start-Up Scheme, which provides income tax relief for investments of up to £10,000 in the equity of companies starting new trades, has been widely welcomed. I propose for 1982-83 and 1983-84 to increase the annual limit from £10,000 to £20,000. As less than a full year has elapsed since it became law, some potential investors may have been unable to use up the full £10,000 limit in 1981-82.

"I therefore propose that, in addition, any unused balance of this year's limit should be added to next year's. This means that, in some cases, the effective limit for 1982-83 will be as much as £30,000. These improvements should provide a further stimulus to investment in new enterprises.

"Where capital for small businesses generally is concerned, many people have emphasised the importance of the new provisions introduced in the 1981 Companies Act for companies purchasing their own shares. Clearly, it would be wrong to change the tax law in such a way that these provisions could be used to pay out what would amount to tax-free dividends. But there is scope for tax changes which will significantly increase the attractions of equity capital, both to the investor and to the entrepreneur.

"I now propose that certain purchases of their own shares by unquoted trading companies, mainly small and family businesses, should not be subject to ACT and income tax. They will be treated instead as sales of shares by the shareholder, and therefore, subject in most cases to Capital Gains Tax only. This measure will be of special

Continued on next page

Commons Sketch

Genuine cheers for the Chancellor

IT WAS a sight that most of us had despaired of ever seeing — row upon row of Conservative MPs rising from their seats waving their order papers and cheering Sir Geoffrey Howe with genuine enthusiasm.

Certainly all the auguries had been more favourable than on his previous gloomy Budgets.

This time Sir Geoffrey had been out in the morning sunshine tripping among the crocuses in St James's Park.

BBC Radio had even postponed the repeat broadcast of its classic serial Bleak House to make way for the Budget message.

Even more significantly, the Chancellor — who took his place looking amiable and relaxed — started off with a tribute to that great philosopher of Tory liberalism Lord Butler, the former Rab Butler, who died overnight.

The word had gone out that Sir Geoffrey had been working hard to remodel his image, and there were signs of this in what was—by his usual standards — a more relaxed and colloquial style.

He explained that he was not going to indulge in those usual tantalising rituals of sprinkling the goodies among a lot of meaningless jargon.

Instead — a revolutionary idea which must have caused some qualms at the Treasury — he intended to give the denouement at the beginning.

"I shall be proposing substantial reductions in tax while at the same time reducing the borrowing requirement," he explained.

Despite this attempt at rebuilding his image there were still one or two clumsy lapses.

He would be introducing an Expenditure White Paper with greatly improved presentation.

"I certainly found it easier to follow," he admitted to guffaws from the Labour benches.

Sir Geoffrey also managed to lead with his chin by declaring: "There was some controversy about selling shares in Amersham International." (More jeers and guffaws from the Labour benches.)

Some of the minor items, which were intended to spread good cheer, also fell rather flat.

There was yet another proposal to help the unemployed with a scheme that they should work for non-profit-making projects put up by local sponsors.

Following on last week's announcement of military camps for the young jobless it all began to sound a bit like the notorious "strength through joy" campaign of the Third Reich.

There was, however, some good news for the unemployed who hang around the amusement arcades. No further financial burdens are to be placed on the ubiquitous Space Invader machines.

Despite these occasional lapses, Sir Geoffrey did venture one or two jokes which hit the mark.

Pointing out that the percentage increase in whisky duty was less than on claret, he assured MPs that this was not intended to add to the problems of Roy Jenkins who already had enough difficulties of his own in contesting the Hillhead by-election. MPs on both sides of the House chortled, but the Social Democrats did not seem to join in the general merriment.

Despite the disclaimer at the beginning of his speech, Sir Geoffrey still saved his biggest punchline until the end when he announced the raising of income-tax thresholds.

In what seemed to be an attempt to put forward the human face of conservatism, he virtuously declared that he not only wanted to help industry but to assist people directly.

At the news of £1.8bn being pumped into the economy, with £2½bn to follow in a full year, jubilant Tories started to see visions of their party riding to victory in the coming by-election.

It needed Mr Michael Foot, leader of the Opposition, to bring a douse of scepticism to the occasion. But even he paid a back-handed compliment to Sir Geoffrey when he pointed out that the Chancellor seemed quite capable of using clear speech for a change when he had some better news.

Of course, as Mr Foot reminded the House, the Chancellor's task was no easy one with the Prime Minister looking over his shoulder.

Mr Foot felt that the whole affair concealed major admissions of past failures behind a series of minor excursions.

One can only hope that the pattern set by this Budget does not follow that of the famous—some would say notorious—strategy of Rab Butler back in the 1950s. On that occasion we had a cheery upbeat Budget leading up to a general election—only to return to harsh reality with the Budget following the Tory election victory.

John Hunt

'Tuppenny ha'penny moves' will not rebuild economy, says Foot

BY MARGARET VAN HATTEM, POLITICAL STAFF

MR MICHAEL FOOT, leader of the Opposition, yesterday denounced the Budget as one of "shreds and patches," of "tuppeny ha'penny measures," one which "shows no sign of an appreciation of the catastrophe which has overtaken this country."

Replying to Sir Geoffrey Howe, Mr Foot said the Government faced a mammoth task in trying to rebuild the economy after the disastrous effects of its own policies. It needed to restore employment, output and business activity.

The Budget outlined by Sir Geoffrey would not even neutralise the effects of last autumn's mini-Budget. "Taken together, added to last autumn's measures, it is still a deflationary package," Mr Foot said.

"I suspect it is more likely to add to the unemployment figures. The Government is still apparently persisting with the same economic policies which have caused the disaster."

Mr Foot said that to put back into the economy what last autumn's mini-Budget had taken out, the Chancellor would have needed to inject £5bn into the economy.

However, Sir Geoffrey, in formulating his Budget, evidently had suffered from the constraint of having to steer between the Prime Minister's variable prejudices. The key to his success was the extent to which he had employed "minor excursions" to disguise the major assumptions on which he based his strategy.

The package of measures for the unemployed was "a miserable, squalid affair, cooked up at the last moment." Sir Geoffrey would have done better to listen to the recommendations of the Manpower Services Commission, which knew a great deal more about the matter than Mr Norman Tebbit, the Employment Secretary.

The main defect of the new scheme was that it took no account of the "huge real total of unemployed." Other countries had suffered from the effects of world recession, but in the growth of unemployment Britain headed the list. It was also the only OECD country to suffer a fall in output last year.

The Budget did nothing to deal with this catastrophe. "Only the dryest of wets, only the least seductive of the sirens sitting below the gangway would listen," he said. This was in reference to certain Tory backbenchers who have been among the most persistent critics of the Government's economic strategy.

Mr Foot welcomed the cut in National Insurance contributions, but criticised the increases in social service benefits as far too low. Child benefit was still lower in real terms than that introduced by the previous Labour Government. He called on the Government to restore earnings-related benefit.

Mr Foot said the Budget was indefensible on the grounds of justice on which Sir Geoffrey had attempted to defend it. The Government claimed its attempts to reduce unemployment were constrained by the need to curb inflation.

It had used the same argument precisely a year ago when it promised to cut inflation to 10 per cent by the end of 1981 and 8 per cent by the time of the 1982 Budget.

"We would like to see what the Chancellor's projections are now," Mr Foot said. "His whole objective, to deal with inflation, has failed. The judgment this House and this country will make on his Budget will be the same as on his previous Budgets. The only person who will, in the long term, be happy with it will be our wandering minstrel of a Chancellor."

Help over energy for large industrial users

Continued from previous page

benefit to small companies which have a limited market for their shares.

"Two years ago, I relaxed the conditions governing profit-sharing schemes and reintroduced legislation enabling employees to take up options to buy shares in their companies without incurring income tax liability.

"I did this because I have no doubt that employees who own shares in the company for which they work develop a greater sense of commitment to the success of the business. Since I made my first changes two years ago, the increase in the numbers of employee share schemes has been extremely encouraging. In 1979 there were only 30 such schemes. Now there are over 400.

"This is exactly as we should wish. Wider share-ownership is good for the business, good for the worker and good for Britain.

"It is important to maintain and extend this progress. Accordingly, I now propose to increase the value of shares that can be allocated each year to any one employee from £1,000 to £1,250. I also propose to amend the detailed rules to help simplify the administrative problems arising on rights issues. We should also give some help and incentive to those who acquire share options outside the ambit of approved schemes. I therefore propose to make it easier for them to pay the income tax chargeable on the exercise of such an option by providing that it should be collected over three years rather than in a single sum.

"In the last two years we have substantially relaxed the rules for tax relief for interest on money borrowed to invest in small companies. This year I propose to move a stage further. If a shareholder works full-time in the management of a business he will in future be able to qualify for tax relief to invest in that business even though he does not have more than 5 per cent of the shares.

"Now, loan finance. In my last Budget I announced the establishment of a pilot loan guarantee scheme. The scheme started in June 1981. Since then the demand for loans has far exceeded expectations.

Loan guarantee scheme

"Last October, in response to that demand, we increased the allocation for the first year from £50 million to £100 million; but with 2,700 loans worth almost £100 million already approved after only nine months, some further increase is desirable. Accordingly, I propose to increase the amount which the participating institutions may lend to £150 million for the first year. In addition a further £150 million will be available for loans under the scheme during its second year, to June 1983.

"I also propose that the limits for the 'small companies' rate of corporation tax should go up again from £80,000 to £90,000, and from £200,000 to £225,000. This will mean that this Government has increased the lower limit by 80 per cent and the upper limit by more than 150 per cent.

"As a further help for new businesses, the period for income and corporation tax relief for pre-trading expenditure will be extended from one to three years.

"Many hon members, I know, have been impressed by the value of the work done by the local enterprise agencies. These agencies depend in the main on businesses already established in the local community. They clearly play a valuable part in helping small local firms to start and to prosper.

"I therefore propose to allow businesses to deduct for tax purposes the contributions they make to certain enterprise agencies, which concentrate on helping small firms. I hope this measure will encourage more widespread support for such agencies. The relief will be available from March 31 and will run for 10 years.

"On VAT, I have two principal changes to propose. The registration threshold will be increased from £15,000 to £17,000. And I propose to introduce VAT relief for services supplied before registration. This measure, and the extension of relief for pre-trading expenditure, will reduce the costs of starting a new business.

"The total revenue cost of these measures to help small firms is about £80m in a full year.

"I also want to make it easier for those who have recently left school or college to start a business. Hitherto they have not been able to qualify for the so-called 714 certificates under the construction industry tax deduction scheme. The present system, designed to prevent tax evasion, may actually keep young people out of work as sub-contractors in the industry. The certificates are widely used in the industry but the existing rules require an individual to show that he already has three years good record as a taxpayer before he can secure a certificate.

"By definition, someone who has just left school or college cannot qualify under this three-year rule. I now propose to change it, so as to enable school and college leavers to obtain special certificates. I also propose a guarantee scheme which may help others to obtain these special certificates.

"Finally, the self-employed. A decade of inflation has eaten into the value of money which they had put aside to provide for their retirement. I therefore propose to increase the limits on retirement annuity relief for contributors who are now in their 50s and 60s—to 20 per cent for those born between 1916 and 1933, to 21 per cent for those born in 1914 or 1915, and to 24 per cent for those born in 1912 or 1913. I also propose to alter the present restrictions on the relief to allow more self-employed people to benefit from these higher levels. These changes will cost £12 million in 1982-83 and £25 million in a full year. They will provide a significant improvement in the position of the older contributor whose lifetime savings have suffered particularly from high rates of inflation in the 1970s.

"The self-employed play a key role in the economy. Their contribution to its vitality, its adaptability, is apparent to all. Along with small businessmen, they fully merit this extra encouragement.

"I turn now to a part of our tax system which is impeding the efficient working of capital markets and doing injustice to individuals and businesses alike: the capital taxes.

"There is room for wide differences of view about the principle of taxing capital. But there is no case whatever for maintaining a system of capital taxes which, by holding back business success and penalising personal endeavour, does serious economic and social damage.

"In each of the last two Budgets, we have taken significant steps to reduce such damage. I propose carrying this process a stage further today.

"The threshold for Capital Transfer Tax will now be increased to £55,000. The rate bands which apply above the thresholds have remained virtually unaltered since the tax was introduced in 1975. It is time they were extended. Under the new scale, details of which will appear in the FSBR, the top rate of tax will be reached at £2.5m.

"In real terms, this is still not as high as the figure set by my predecessor, when he introduced the tax, in 1975. The lifetime scale will be improved to a similar extent. The cost this year will be £35m: and in a full year £85m.

"I also propose that the indexation principles, already applied to income tax allowances, should in future apply as well to the CTT threshold and bands.

"I should add that it is my intention that the Finance Bill should deal with the new regime for settled property. Draft clauses were published in December. The comments we have received will help us to clarify and improve the provisions. They have more than justified this exercise in open Government. I am grateful to all those who have contributed. There will also be a number of technical provisions related to the heritage. I have decided, in the light particularly of the reductions in the lifetime rates of charge I made last year, not to alter the rate at which the periodic charge is payable.

"I also propose that foreign currency accounts belonging to individuals who have no connection with the UK should not be caught by the CTT. It is important for London's position as the world's leading financial centre that this matter should be cleared up.

"I now come to the incidence of Capital Gains Tax on inflationary gains. This is a matter which has rightly given rise to a great deal of discontent. No-one has yet succeeded in finding a solution to this problem.

"Innumerable proposals for full indexation, for tapering and other ingenious devices have been put forward. None, unfortunately, overcame all the practical difficulties. I cannot, however, allow this injustice to continue. It is intolerable for people to be permanently condemned to pay tax on gains that are apparent but not real—that exist only on paper.

"I propose, therefore, that, as from this April, gains, including those of companies, will, in principle be calculated after taking account of inflation which occurs after that date. No relief will, however, be given in respect of the first year of ownership. The problem we seek to solve is one which relates essentially to assets held for a period of years, and it would not be appropriate to extend relief to assets bought and sold within a comparatively short period of time.

"Because we have not found it possible to extend the new scheme to cover past gains, I propose also that the exempt slice should be increased to £5,000. That is the best solution to the problem of the past and will simplify administration both for the taxpayer and the Revenue. For the future, I intend that this threshold too should be statutorily indexed.

"There will be no revenue cost in the coming year. In 1983-84 the cost of these two measures will be £55m.

"But this ought not to be looked at as a measure of the cost to the Exchequer. It is rather a measure of the tax which ought never to have been levied in the first place. This change is no more than simple justice, which should be welcomed on all sides of the House.

"The benefit of these measures will be of substantial help to business as well as the individual. They will significantly increase the attraction of equities to UK taxpayers. One result should be that companies can raise more equity at lower cost than would previously have been possible. An increase in the scale of equity issues by companies will help to reduce their dependence on bank borrowing.

"I also propose a number of other specific changes: in future, rollover relief will be available on compulsory purchase: and, completing our policy of avoiding a double charge to CGT and CTT on the one event, rollover relief will also be available on assets coming out of trust. These proposals involve no cost this coming year and a cost of £11m in 1983-84.

"I believe that these changes, taken together, will be widely welcomed as a further major reform of the capital taxes.

"But for the vast majority of individuals what really matters is income tax. And income tax is far and away the biggest source of Government revenue. This year about 28m income taxpayers will contribute, in round figures about £30m to the Exchequer.

"Quite rightly people look for some reduction in their own tax burden. As I have explained at the outset, and demonstrated by my proposals, the paramount aim of this Budget is to help industry, to encourage business, to create jobs.

"But I want also to assist people directly. The one helps the other. People need industry but industry also needs people—as workers, as customers, as investors. We remain firmly committed as ever, over the years, to reduce the burden of direct taxation. It is essential to do so: to improve incentives: to remove disincentives: to reduce the poverty trap.

"There are always, of course, competing arguments as to whether one should reduce the rates of income tax or raise the thresholds at which people pay tax. Any Chancellor would like to be able to do both. But this year, given my principal aim, I have had to make a choice.

"We have already reduced the basic rate of tax from 33 per cent to 30 per cent, and reduced the higher rates of tax as well. I propose, therefore, to concentrate the relief that is available this year on raising the tax thresholds.

"The single personal allowance will accordingly be increased by £190 to £1,565 and the married allowance by £300 to £2,445.

"The additional allowance for single parents will, as a consequence, rise by £110 to £880. So too will the widow's bereavement allowance. And there will be corresponding increases in the age allowances, the higher rate threshold and bands, and the threshold for the Investment Income Surcharge. Effect will be given to changes under PAYE as from the first pay day after April 26.

"These increases are up to 2 percentage points *more* than the 12 per cent required to take account in inflation in 1981. They are worth £1.8bn this year and almost £2½bn in a full year. As a result some 1.2m people who would have paid tax next year will not now have to do so. This news will be very welcome both to the House and to the country at large.

"In framing this year's Budget, Mr Speaker, It has been my purpose to give as much encouragement as I believe we can afford to an economy which is now moving in the right direction.

"To hearken to the voices that urge us only to 'borrow, borrow, borrow,' would perform no service to British industry or to the unemployed. On the contrary, it would lead only to the dead end of a plummeting exchange rate or a rocketing rate of interest—most probably to both.

"Better by far to secure, as I have done, a prospective level of borrowing that is below that of the year now ending and so to maintain our progress towards stable prices.

"And at the same time, as in each of my three earlier Budgets, to achieve substantial tax reforms, to promote the wider ownership of wealth, and to encourage the productive private sector, which in these past three years has made giant strides towards the restoration of our reputation as a trading nation.

"This is a Budget that will give confidence at home that growing markets will be there for those prepared to go out and win them. And so a better prospect of employment opportunities for those who look only for the chance to work.

"And confidence abroad that Britain stays on course, to put a dismal record, of performance behind us once and for all.

"This Budget is designed to give that double boost to confidence. I commend it to the House and to the nation."

Tax adjustment and relief details

THE FINANCIAL statement and Budget report published yesterday announced the following proposed tax changes:

Income tax

It is proposed—

to increase the single person's allowance and the maximum wife's earned income relief from £1,375 to £1,565 and the married allowance from £2,145 to £2,445.

to increase the additional personal allowance and widows' bereavement allowance from £770 to £880.

to increase the age allowance for the single person from £1,820 to £2,070, for the married from £2,895 to £3,295 and the age allowance income limit from £5,900 to £6,700.

to increase the basic rate limit to £12,800.

to increase the width of the 40 per cent band to £2,300, the 45 per cent band to £4,000 and the widths of the 50 per cent and 55 per cent bands to £6,200.

It is proposed—

to raise the threshold for the investment income surcharge for 1982-83 from £5,500 to £6,250.

to revise the system of reliefs available to individuals receiving payments above £25,000 on termination of employment.

to exempt mobility allowance from tax.

to raise from £1,000 to £1,250 the maximum annual value for appropriations of shares to an employee under an approved profit sharing scheme.

to alter the basis for the exemption limit for capital receipts arising from shares held under approved profit sharing schemes.

to allow the income tax payable on the exercise of a share option by a director or employee to be paid by instalments over three years.

with effect from 1983-84, to change the arrangements for giving mortgage interest relief.

to increase the percentage limit on retirement annuity relief from 17½ per cent to 20 per cent for individuals born between 1916 and 1933, from 20½ per cent to 21 per cent for those born in 1914 or 1915 and from 23½ per cent to 24 per cent for those born in 1912 or 1913, and to remove the existing ban on the provision of these higher rates of relief for individuals with pensions or pension rights under sponsored superannuation schemes in respect of any previous full-time employment.

to extend relief for interest paid on money borrowed for investment in a close company to borrowers who own 5 per cent or less of its ordinary share capital, provided that they act for the greater part of their time in the management or conduct of the business.

in respect of the relief for investment by outsiders in certain new corporate trades ("Business Start-up Scheme") to increase the limit for each of 1982-82 and 1983-84 by £10,000 and for 1982-83 by any unused balance of the limit for 1981-82.

Income tax and corporation tax

It is proposed—

to extend the definition of an industrial building for industrial buildings allowance purposes to include buildings used for certain repairing and servicing activities.

to extend the small industrial workshop scheme for a further 2 years, for industrial buildings not exceeding 1,250 sq ft.

to allow relief for contributions to certain enterprise agencies.

to extend, for one year, the 100 per cent first year allowance for expenditure on rented television sets incorporating a teletext facility.

to introduce a first year capital allowance, at the rate of 75 per cent, for expenditure in the construction of certain buildings for letting as private residential accommodation, under the assured tenancies scheme.

to extend the relief for pre-trading expenditure.

to exempt dealers in Eurobonds from the provisions designed to prevent loss of tax through bond-washing.

to bring certain securities issued by building societies within the provisions designed to prevent loss of tax through the manufacturing of interest.

Income tax, corporation tax and capital gains tax—It is proposed in appropriate cases to change the tax treatment of distributions made by companies in purchasing their own shares.

Corporation tax—It is proposed: for the financial year 1981 to increase the limit for the "small companies" rate of corporation tax from £80,000 to £90,000 and the limit for marginal relief from £200,000 to £225,000.

to amend the definition of "distribution" as it affects borrowing in the form of "equity loans."

Corporation tax and capital gains tax—It is proposed: to adjust expenditure allowable in calculating gains on disposals having regard to future increases in the retail prices index.

to increase the level of exemption for gains on chattels.

to introduce a rollover relief for compensation paid on compulsory purchase.

Oil taxation

It is proposed—

to extend Supplementary Petroleum Duty (SPD) for the chargeable period ending on December 31, 1982, only.

to increase the rate of Petroleum Revenue Tax (PRT) from 70 to 75 per cent. for chargeable periods ending after December 31, 1982, and to spread its collection in monthly instalments after June 30, 1983.

to introduce a system of advance payments of PRT for chargeable periods ending after December 31, 1982, at a rate of 20 per cent of gross profits less an oil allowance of ½m tonnes per chargeable period, the advance payments to be set off against current or later liability to PRT or, failing set-off, repaid at the end of field life.

to amend the point of charge for PRT and SPD for certain arm's-length sales of gas and to provide alternative rules for determining the market value of ethane used for petrochemical purposes.

to allow Corporation Tax relief for certain losses and charges outside the oil production "ring fence."

to disallow for the purpose of PRT and ring fence Corporation Tax expenditure incurred after Budget day to the extent that it is met by Regional Development Grants.

Capital gains tax

It is proposed—

to increase the threshold from 1982-83 so as to exempt individuals on the first £5,000 of capital gains in a year and most trusts on the first £2,500.

to require for the future an annual revision of the thresholds for individuals and trusts in the light of changes in the retail prices index.

to extend the rollover relief for lifetime gifts to transfers out of settlement.

to revise the rules for gains arising on the termination of a life interest in settled property.

Capital transfer tax

It is proposed to introduce new rate schedules for both death and lifetime transfers as follows:

Band of chargeable value £'000	Rate on death per cent	Lifetime rate per cent
0- 55	Nil	Nil
55- 75	30	15
75- 100	35	17½
100- 130	40	20
135- 165	45	22½
165- 200	50	25
200- 250	55	30
250- 650	60	35
650-1,250	65	40
1,250-2,500	70	45
Over 2,500	75	50

It is proposed—

to require for the future an annual revision of the rate bands in the light of changes in the retail prices index.

to increase the exemption limits for transfers within one year of death to charities to £250,000 and for transfers to non-domiciled spouses to £55,000.

to restructure the charge to tax on discretionary trusts.

to exempt from the charge on death non-sterling bank accounts of depositors who are not domiciled, resident or ordinarily resident in the United Kingdom at the time of their death.

Capital transfer tax and income tax

It is proposed—

to alter the conditions on which the Treasury may designate trusts as maintenance funds for heritage purposes and to amend the charges to tax which may arise following the setting up of these funds.

Value added tax

It is proposed to amend Section 2(1) and Schedule 1 to the Finance Act 1972 so as to increase the registration and deregistration limits. From 10 March 1982 the registration limits will become £17,000 per annum and £6,000 per quarter. From 1 June 1982 the deregistration limits will become £16,000 per annum where estimated future turnover is concerned, and £17,000 per annum where past turnover is concerned.

It is proposed to amend paragraph 11 of Schedule 1 to the Finance Act 1972 in order to restrict the Commissioners' powers to grant discretionary registration to certain traders.

It is proposed to apply, by Order, the zero-rate of VAT to supplies of building alterations by way of the most commonly recognised kinds of double glazing, loft and cavity-wall insulation, and damp-proof coursing.

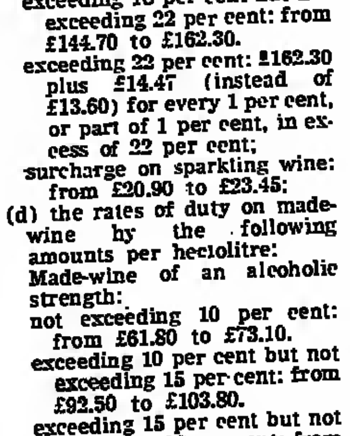
Alcoholic drinks

It is proposed from midnight March 9-10, 1982, to increase:

(a) the rates of duty on spirits from £13.60 (for mature spirits) and £13.63 (for immature spirits) to a uniform rate of £14.47 per litre of alcohol in the spirits;

(b) the rate of duty on beer from £18.00 to £20.40 per hectolitre and the charge for each additional degree of original gravity above 1030 degrees per hectolitre from £0.60 to £0.68;

(c) the rates of duty on wine by the following amounts per hectolitre:



Wine of an alcoholic strength:
- not exceeding 15 per cent: from £95.20 to £106.80.
- exceeding 15 per cent but not exceeding 18 per cent: from £122.90 to £137.90.
- exceeding 18 per cent but not exceeding 22 per cent: from £144.70 to £162.30.
- exceeding 22 per cent: £162.30 plus £14.47 (instead of £13.60) for every 1 per cent, or part of 1 per cent, in excess of 22 per cent;
- surcharge on sparkling wine: from £20.90 to £23.45;

(d) the rates of duty on made-wine by the following amounts per hectolitre:

Made-wine of an alcoholic strength:
- not exceeding 10 per cent: from £61.80 to £73.10.
- exceeding 10 per cent but not exceeding 15 per cent: from £92.50 to £103.80.
- exceeding 15 per cent but not exceeding 18 per cent: from £113.90 to £127.80.
- exceeding 18 per cent: £127.80 plus £14.47 (instead of £13.60) for every 1 per cent, or part of 1 per cent, in excess of 18 per cent;
- surcharge on sparkling made-wine: from £9.60 to £10.75;

(e) the rate of duty on cider and perry from £7.20 to £8.18 per hectolitre.

Stamp duties

It is proposed—

to raise with effect from March 22, 1982 the level below which transfers of property (other than stocks and shares) are not liable to stamp duty from £20,000 to £25,000, to adjust the associated bands of reduced rates of stamp duty correspondingly and to alter certain limits affecting stamp duty on new leases.

to exempt transfers of assets to charities.

Hydrocarbon oil

It is proposed, from 8 pm on 9 March 1982, to alter:

(a) the rate of duty on light hydrocarbon oil (other than aviation gasoline), petrol substitutes and spirits used for power methylated spirits from 13.82p to 15.54p per litre;

(b) the rate of duty on heavy hydrocarbon oil for use as road fuel from 11.91p to 13.25p per litre;

(c) the rate of duty on aviation gasoline from 13.82p to 7.77p per litre;

(d) the rate of duty on gas for use as road fuel from 6.91p to 7.77p per litre.

Tobacco

It is proposed, from midnight 11-12 March 1982, to increase:

(a) the specific element in the duty on cigarettes from £19.03 to £20.68 per 1,000 cigarettes (the ad valorem element remaining unchanged);

(b) the duty on cigars from £35.91 to £39.00 per kilogram;

(c) the duty on hand-rolling tobacco from £30.96 to £33.65 per kilogram;

(d) the duty on other smoking and chewing tobacco from £22.96 to £24.95 per kilogram.

Pool betting duty

It is proposed to increase the rate of pool betting duty from 40 per cent to 42½ per cent on events on and after 1 April 1982.

Gaming licence duty

It is proposed, from 1 April 1982, to increase the rates of gaming licence duty. The advance payment will remain at £250, but the second payment, to be made up to five months after the licensing period, will be a proportion of the gross gaming yield (stakes less winnings) in each six-monthly period as follows:

5 per cent of the first £500,000 plus

12½ per cent of the next £1,750,000, plus

25 per cent of the remainder of the gross gaming yield.

Bingo duty

It is proposed, from 27 September 1982, to restrict the existing exemptions from bingo duty so that all large-scale bingo (where the value of prizes has exceeded £300 in any one day or £1,000 in any one week) is made liable to duty.

Gaming machine licence duty

It is proposed, from October 1 1982, to abolish the existing duties on all "2p per play" machines and to increase the annual rates of licence duty on other machines as follows:

(a) Premises with local authority approval: from £60 for the first machine and £120 for subsequent machines to £120 for each "5p per play" machine and £300 for each "10p per play" machine;

(b) Premises without local authority approval: from £200 to £300 for each "5p per play" machine and from £400 to £750 for each "10p per play" machine.

It is proposed to amend the comparable provisions in the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972 so that the abolition of duty on "2p per play" machines and the new rates at (b) above will also apply in Northern Ireland.

Surcharges and rebates in respect of excise duties

It is proposed to amend the Excise Duties (Surcharges or Rebates) Act 1979 to allow surcharges or rebates to be applied to individual rates of the duties to which that Act applies.

It is proposed to increase the excise duty on most mechanically-propelled vehicles chargeable under Section 1 of the Vehicles (Excise) Act 1971 and under Section 1 of the Vehicles (Excise) Act (Northern Ireland) 1972 by about 12 per cent. This figure is broadly descriptive. There will be some variations within particular vehicle categories. The duty on most cars will rise by £10 to £80. The rates of duty on certain groups of light commercial vehicles will be marginally reduced and a larger selective increase of 25 per cent will be applied to all duty levels on goods vehicles over 9 tons unladen weight. These changes have effect in relation to licences taken out after March 9.

It is additionally proposed to include provision in the Finance Bill for the restructuring of vehicle excise duty on heavy goods vehicles from an unladen weight to a gross weight basis of assessment and to introduce a new taxation regime for light commercial vehicles. These changes, which were foreshadowed in the 1981 Transport Act, will take effect from October 1 1982.

National Insurance Surcharge

It is proposed to reduce by 1 percentage point to 2½ per cent the surcharge paid in respect of employees by secondary Class 1 contributors under the provisions of the National Insurance Surcharge Act 1976. This reduction will take effect from August 2 1982. It is also proposed to reduce the rate of surcharge payable in respect of earnings between August 2 1982 and April 5 1983 by a further ½ percentage point.

	Forecast for 1982-83 £m	a full year £m
Income tax		
Increase in single allowance by £190 and married allowance by £300	−1,475†	−1,815†
Increase in additional personal allowance etc. by £110	−10†	−15†
Increase in age allowance by £250 (single) and by £400 (married) and in income limit by £800	−170†	−230†
Increase in basic rate limit to £12,800	−105†	−185†
Increase in further higher rate thresholds	−78†	−160†
Increase in investment income threshold	−2†	−50†
Changes in taxation of termination payments	Negligible	Negligible
Exemption of mobility allowance	−7	−10
Increase of profit sharing limit and changed basis for capital receipts exemption limit	−1	−2
Share options: payments by instalments	Nil	‡
Mortgage interest arrangements	Nil	−5§
Changes in retirement annuity relief	−12	−25
Interest relief for borrowing to invest in close companies	−2	−5
Increase in limit for relief for investment in new corporate trades	Nil	−20¶
Income tax and corporation tax		
Extension of industrial buildings allowance	Negligible	−10
Income tax and corporation tax		
Extension of small industrial buildings scheme	Nil	−10
Relief for contributions to enterprise agencies	Negligible	Negligible
Rented television sets (Teletext)	Nil	−15
Capital allowances for new property for renting	Negligible	−5¶
Relief for pre-trading expenditure	Negligible	Negligible
Income tax, corporation tax and capital gains tax		
Change in tax treatment when companies purchase their own shares	−2¶‖	−5¶‖
Corporation tax		
Increase in limits for "small companies" rate	−6	−11
Provisions relating to borrowing in the form of "equity loans"	Nil	+25**
Changes to ring fence corporation tax	Nil	−10
Corporation tax and capital gains tax		
Indexation of capital gains	Nil	−150††
Increase in chattels exemption	Nil	−2
Relief for compensation on compulsory purchase	Nil	−3
Supplementary petroleum duty and petroleum revenue tax		
Abolition of SPD, increase in PRT, introduction of advance payments of PRT	Nil	−240‡‡
Minor PRT changes	−5	+2
Capital gains tax		
Increase in thresholds for individuals and trusts	Nil	−60¶¶
Future indexation of thresholds	¶¶	‖‖
Relief for transfers out of settlement	Nil	−45a
Capital transfer tax		
Increase in threshold and changes in bands	−35	−85b
Future indexation of threshold and limits for bands	¶¶	‖‖
Increase in exemption for charitable gifts	Negligible	−1
Discretionary trusts	Negligible	−5
Other minor items	Negligible	Negligible
Capital transfer tax and income tax		
Maintenance funds	Negligible	Negligible
Stamp duty		
Raising of thresholds by £5,000	−70	−75
Exemption of transfers to charities	−5	−5
TOTAL INLAND REVENUE	−1,985	−3,222
CUSTOMS AND EXCISE		
Value added tax		
Increase in registration limits	−5	−10
Zero rating of certain building altera alterations	−70	−70
Excise duties		
Changes in rates of duty on light oil, etc.	+410	+410
Increase in rate of duty on heavy Oil for use in road vehicles	+85	+85
Increase in rates of tobacco products duty	+165	+170
Increase in rates of spirits duty	+30	+30
Increase in rates of beer duty	+170	+175
Increase in rates of wine and made-wine duties	+38	+38
Increase in rate of duty on cider and perry	+2	+2
Increase in rate of pool betting duty	+5	+5
Changes in rates of gaming machine licence duty	+18	+20
Increase in rates of gaming licence duty	+2	+5
Total Customs and Excise	+850	+860
VEHICLE EXCISE DUTY		
Increase in rates of duty	+225	+225
NATIONAL INSURANCE SURCHARGE		
Reduction in surcharge	−1,000	−1,195
OTHER		
Gas Levy	−67	−142
Bus Fuel Grants	−9c	−9c
Total changes in taxation	−1,986	−3,483

* Indirect effects are excluded. The expenditure tax figures do, however, allow for the effects of relative price changes on the composition of consumers' expenditure. This is explained in the note on page 9 of the Financial Statement and Budget Report 1981-82. A fuller description of the estimation of the direct effects of expenditure tax changes is provided in an article in Economic Trends, March 1980.

† If the main personal allowances and thresholds had been increased under the provisions of Section 24 of the Finance Act 1980 by the increase in the general index of retail prices between December 1980 and December 1981 (12 per cent), the revenue cost would have been £1,640 million in 1982-83 and £2,195 million in a full year, that is £200 million less in 1982-83 and £260 million less in a full year than the overall cost of the proposed changes listed above.

‡ The total cost spread over several years is estimated at some £10 million.

§ The cost in 1983-84 is estimated at £260 million.

¶ These estimates are highly uncertain.

‖ This figure is confined to the loss of tax on e.g. dividends which might have been paid in the absence of the proposal.

** The yield in 1983-84 will be £15 million.

†† Effect in respect of disposals in the first full year to which the change applies (Corporation Tax—£25 million, Capital Gains Tax—£125 million)—the eventual effect is likely to be substantial. The cost in 1983-84 will be £40 million.

APPROXIMATE DIRECT EFFECTS OF CHANGES IN DUTY RATES ON CERTAIN PRODUCT PRICES

(All except VED inclusive of 15 per cent VAT)

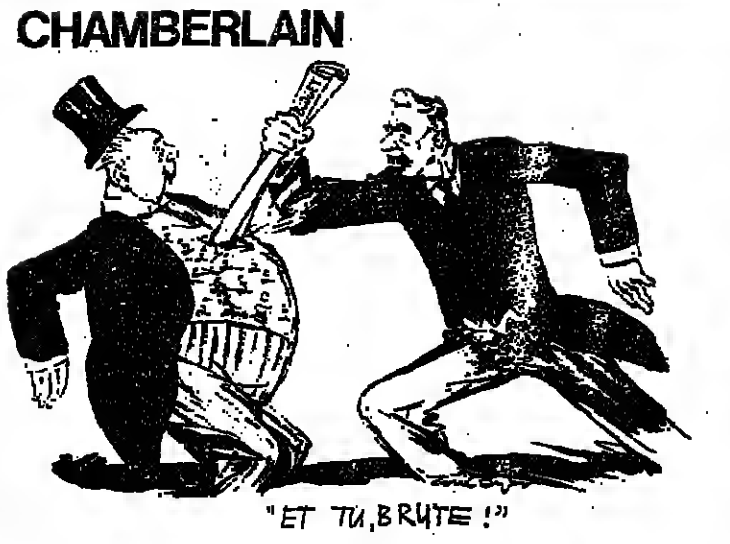
Spirits duty	30p on a bottle of spirits
Beer duty	2p on a pint of beer of average strength
Wine duty	10p on a bottle of table wine
Fortified wine duty	13p on a bottle of sherry
Petrol duty	9p on a gallon of petrol
Derv duty	7p on a gallon of derv
Tobacco duty	5p on a packet of 20 cigarettes
Vehicle excise duty	£10 on a car licence

THE BUDGET: Details

CHURCHILL

by Low Evening Standard 1928

CHAMBERLAIN



by Dyson Daily Herald 1931

BUTLER

by Lee Evening News 1953

MACMILLAN

by Vicky Daily Mirror 1956

RESEARCH: FRANK KANE

Recovery in output and profitability in the short term

THE FINANCIAL statement outlined short-term economic prospects for the period to mid-1983.

The UK economy made further major adjustments in the course of 1981: there were strong internal and external pressures making for lower inflation and though the fall in the inflation rate was temporarily halted as a result nf the decline in sterling up to September. In the world economy, there was little increase in output. By early 1982 the prices of many commodities, and in particular oil, had weakened, and the rate of inflation in the industrialised countries bad fallen.

In the UK, while there were conflicting indications from the various monetary aggregates, policy maintained its counter inflationary stance, which was signalled better by the moderate growth nf M1 and by a level of interest rates well above the inflation rate. than by the growth in broad monetary aggregates. For the next year, the announced monetary ranges, with which the forecast is consistent, envisage slower growth in the aggregates on average than over the past year. World interest rates look like remaining above inflation rates.

Nineteen-eighty-one saw substantial progress in the UK in reducing the growth of costs and in improving competitiveness, and the beginnings of a recovery in profitability. Against a background of weak world demand and a level of competitiveness 30-40 per cent less favourable than in 1975. UK exporters halted, and then reversed, the decline in export volumes that had begun in early 1980. The transition to a much lower rate of increase in costs owed much. above all in manufacturing, to a better productivity performance which, in the short run, has been accompanied by a bigher level of unemployment.

The growth rates envisaged for the monetary aggregates and for public sector debt, leave room for further recovery in both output and profitability provided that there is, as forecast, no more than a moderate rise in costs and a fall in the inflation rate. Total output is forecast to rise 1½ per cent in 1982.

The World Economy

Most industrialised economies moved into recession in 1980, in the wake of the large rises in oil prices and the fiscal and monetary policies needed to restrain inflation. 1981 saw a fall in the average rate of inflation from 12 per cent to about 10 per cent. Apart from Japan, nominal interest rates were bigher in 1981 than in 1980, and real interest rates were clearly positive. and histnrically high, in early 1982.

Output rose only very slowly in 1981, with the U.S. ecnnomy moving downwards in the last quarter of the year, and unemployment continuing to increase in many countries. The rate of inflation fell because oil prices steadied after the sharp increases in 1979 and 1980, and because other commodity prices weakened. Total trade hardly grew at all in 1980 or 1981; but trade in manufactures has been a little more buoyant, and the importance nf the OPEC market for UK trade has helped sustain the potential demand for UK goods.

The speed of recovery nver the next year or sn will depend in part on the stance of policy in the U.S. and other countries and on success in reducing the inflation rate further. High real interest rates are liable to persist for some time. affecting both the level and composition of nutput. It seems likely that there will be no more than a modest recovery in 1982, with output in the main industrialised economies rising little more than 1 per cent for the third year in succession. Growth may speed up a little by the end of the year, and into 1983. World trade in manufactures (weigbted by UK trade) is forecast to rise about 4 per cent in 1982, much the same as in 1981, as some recovery in industrialised economies' trade compensates for slnwer growth in OPEC imports.

Inflation

Pressure on the domestic inflation rate from the higb real exchange rate and from the low level of demand were clearly downward from at least the middle of 1980, although for a period in 1981 the downward path of inflation was interrupted by the fall in sterling. The average monthly increase in wholesale output prices over the period July 1980 to January 1982 was ¾ per cent, half that of the previous 12 months: a similar picture is shnwn by the contribution of the private sector to the retail prices index. Those parts of the RPI which are determined mainly by the public sector — nationalised industries and housing—have also risen more slowly since 1980, though still above the rate of increase in prices charged by the private sector.

Initially. the rednction in inflation was largely at the expense of profit margins: the share of company profits (excluding North Sea oil) in dumestic incomes fell from 8½ per cent in 1979 to about 4 per cent in early 1981. But starting in the second half of 1980 and extending through 1981, wage increases were lower, and productivity gains (particularly in manufacturing) were substantial. Thus in the fourth quarter of 1981 unit wage costs in manufacturing were less than 3 per cent higher than a year earlier. Tha corresponding increase to the fourth quarter of 1980 had been 23 per cent.

By the end of 1981, with input prices tn manufacturing also stabilising, profit margins had begun to recoup some of the earlier sharp falls. In January 1982, wholesale prices (excluding food, drink and tobacco) were about 10 per cent higher than a year earlier, with a similar rate nf increase at an annual rate over the last six months. The increase in the RPI between January 1981 and January 1982 was slightly faster, at 12 per cent. Within the total RPI, some items, particularly consumer durables, clnthing and footwear subject to intense foreign competition, have risen very little, and in a few instances not at all.

For the economy as a whole the year to the autumn of 1981 saw nearly a halving nf the growth of earnings to some 12 per cent, much more nearly in line with the UK's main competitors. The sharp rise in manufacturing productivity (which, by the fourth quarter of 1981, was up some 10 per cent on a year earlier) ensured that the rise in UK unit labour costs in manufacturing was significantly less than the rise in most other countries. Recent months have seen a further reduction in the general level of wage settlements.

Over the next year or so, moderation in unit labour costs should continue tn exert downward pressure on the rate of inflation; so too should weak commodity prices. Competitive pressures on firms to limit price rises, though not as intense as in late 1980 and early 1981 (when the exchange rata was higher and the level of demand lower), are likely to remain strong. These factors, in additions to specific influences on the RPI from a slower rate of increase in bousing costs and tbe effect of Budget measures, should result in a further substantial fall in the rate of inflation. By the fourth quarter nf 1982, the RPI may be 9 per cent higher than a year earlier; and by mid 1983 7½ per cent.

This fall in the rate of inflation should be compatible, given the trend in costs and the Budget measures, with a further improvement in profit margins. The rate of return on companies' assets (at current replacement cost, and excluding companies engaged in the Nnrth Sea) which fell from 5 per cent in 1979 to about 2½ per cent in 1981 should show some recovery in 1982, thnugh it is unlikely to reach the 1979 level.

Demand and activity

In the second half of 1981, tntal output in the economy was about 4 per cent lower than two years earlier. The fall was ateepest in tha second half of 1980; by mid-1981 the fall had come to an end; and in the second half nf 1981 output had begun to risa again. The fall in output was heavily concentrated nn manufacturing, where nutput was 14 per cent lower in the second half nf 1981, compared with the second half nf 1979, and on construction where the fall was 18 per cent. Over the same period, the output of North Sea oil and gas rose 13 per cent, while there were small falls in other sectors.

The effects of the civil service dispute, causing a loss of trade statistics for much of 1981, together with the usual measurement problems, make it difficult to form an accurate assessment of the course of demand as the economy began to recover from the recessinn.

The second balf of 1980 and the first half of 1981 were dominated by stock movements as companies cut output and liquidated stocks under intense financial pressure. But the stock rundown was coming to an end by late 1981, with nther factors contributing to the lower level of sales and output.

Fixed investment, both private and public, declined by some 9 per cent in real terms over the two years to the second half of 1981, mainly due to lower investment in housing and other new building and works.

There was also a slight fall over the two years to the aecond half of 1981 in total exports of goods and services: some increase in oil, little change in exports of nther goods; and some decline in the volume of services. In addition importers nf manufactures captured a larger share of the UK market. Consumers' expenditure, and the volume of general government current expenditure on goods and services, held up over this period. The falls in stocks and in fixed investment helped explain wby output in manufacturing and construction fell much more than output elsewhere.

Consumers' real incomes rose strongly up to 1980, but the fall in the rate of wage increases, the fall in employment and the increase in taxes and in national insurance contributions led to a fall of perbaps 2 per cent in 1981. With the help of large bank horrowing. the impact of these cbanges was very largely on savings, with consumers' expenditure little cbanged in either 1980 or 1981.

By contrast. over the same period companies experienced a major fall in their real income; and cut their expenditure by even more. against a difficult financial background of falling profitability and high interest rates. By the second half of 1981, bowever, companies' real incomes had hegun to rise and so too had their expenditure, mainly reflecting a much reduced rate of destocking.

A further small fall in the real incomes of consumers is expected in 1982, levelling out in the first half nf 1983. Some fall in the saving ratio is again likely mainly in response to the fall in real income, but also because the decline in the inflation rate reduces the amount of saving necessary to maintain intact the real value of assets fixed in money terms. Consumers' expenditure over the forecast period may well continue at least at the level reached by the end of 1981. Together with some recovery in private housing, this points to a further decline in the financial surplus of the personal sector.

The shake nut of stocks has brought their level relative to output back towards the ratios ruling before the current recession.

Table 10
Stock/Outpnt Ratio.
Manufacturing, end 1974=100

1975-79	101
end 1979	103
end 1980	114
end 1981 (estimate)	106
end 1982 (forecast)	103

Over tha 1970s, the rise in stocks, particularly that of finisbed goods, more than kept pace with the rise in output. With positive real interest rates, with the changed tax positinn on stock relief and with the mova by companies into financial surplus which occurred in 1981 liable to be only temporary, any build-up of stock levels may not proceed far over the next year.

Private investment in total has fallen in this recession; though less than would have been expected simply on the basis of the contraction in demand. However, the volume of investment in plant and macbinery by the private sector was 50 per cent up in 1981 on 1975, and did not decline in the 1979-81 period. Indications from surveys of investment intentions, together with the usual cyclical lagged response of investment to a recovery in output, suggest an increase in the volume of fixed investment in the private sector and in public corporations together over the next year or so, with 1982 perhaps 4½ per cent higher than 1981.

Current expenditure by central and local government at constant prices has tended to rise a little over the past two years, but fixed investment has fallen (partly because sales of council houses count as reductions in investment). A slight rise in general government expenditure on goods and services at constant prices is forecast from now on.

Table 11

1975=100	1981 I	1981 II	1982 I	1982 II	1983 I
GDP	105	105½	106	107	108
Manufacturing output*	88	90	91	92	93

*stock adjusted

Total domestic demand, which is estimated to bave recovered by 3 per cent between the first and second halves of 1981, should increase further in 1982, perbaps by 3 per cent. The rise in UK output will depend also on the extent of the rise in import penetration, and on the performanee of UK exports. The forecast is for a moderate rise in total output and in manufacturing output:

For 1982 as a whole, there may be a rise of 1½ per cent in total output with a 3 per cent increase for the manufacturing sector. The rise in total output between the first halves of 1982 and 1983 is forecast at 2 per cent.

Table 12
Manufacturing Output and Productivity
(per cent change on a year earlier)

	1980 second half	1981 second half
Output	−12½	−1
Employment	−8	−9½
Average hours	−3	+1
Output per persoo	−5	+8½
Output per person hour	−1½	+7½

Employment and productivity

While output stabilised and began to recover slowly in the course of 1981, the level of employment continued to fall, though not as fast as during 1980. The rise in productivity can be seen most clearly in the case of manufacturing industry:

The rise in productivity during 1981 was substantially more than would have been expected at this stage in the cycle. Outside manufacturing, the same tendencies have been observed, though to a lesser degree. Over the forecast period, further gains in productivity are in prospect, though in manufacturing they are unlikely to ba on the scale of 1981.

By the end of 1981, the fall in employment had slowed down: in manufacturing, employment fell by an average of 30 thousand a month in the final quarter, compared to 50 thousand in the first quarter.

Unemployment rose by over half a million in the 12 months to February 1982. Bnt the rate of increase in unemployment has slowed down subtantially, from over 100 thousand a month (adult, seasonally adjusted) in the second half. of 1980 to 40 thousand a month in the second half of 1981, and to 30 thousand a munth in January and February 1982.

As the recovery in demand and ontpnt gathers momentum, and as profitability recovers, so there are better prospects for employment. Already, many labour market indicators, including average hours worked and unfilled vacancies, have strengthened in recent months.

Monetary and public sector developments

Monetary policy is described in Part 2. Public expenditure and borrowing developments are described in Part 4.

The exchange rate, competitiveness and trade

After the rise during 1980, sterling fell back between February and September 1981, perhaps reflecting the reversal of the interest rate differential in favour of sterling and some indications of a weaker trend in oil prices. However, sterling has stayed firm over the last six months; and the real exchange rate in early 1982 remained well above the levels of 1979 and earlier years.

UK cost competitiveness, as measured by the IMF index of relative normal unit labour costs, probably improved by about 10 per cent between the first and fourth quarters of 1981.

For the purposes of the economic forecast to mid 1983, it is assumed that the average level of the effective exchange rate will not be very different from the levels of the past six months. Tngether with a slowdown in the growth of earnings, this implies some further reversal in the earlier loss of competitiveness.

Visible trade moved into large surplus in 1981, though the extent of this is obscured by the absence of statistics for much of the year. Oil exports continued to rise while the volume of non-oil exports (85 per cent nf which are manufactures) fell perhaps 3 per cent in the year as a whole. But by the end of 1981 the volume of exports of manufactures had increased by about 3 per cent on the end of 1980, implying little change in the share of the world market despite poor competitiveness. Successive business surveys from late 1980 pointed to an improvement in export performance. The prospects are for the high level of late 1981 to be more than maintained. Experience of export deliveries in 1981, together with the improvement in competiveness since the early part of the year, suggest that on balance there should be no further adverse effects from cost competitiveness over the next year.

Import volumes fell very sharply up to early 1981 but have since recovered tn the levels at the beginning of 1980, a path that reflects in part the course of stockbuilding nver the cycle. Import penetration in manufactures (measured by the ratio of imports to an estimate of total UK demand for manufactures) rose further between the end of 1979 and the end of 1981. The rise was about the same rate as the average of the previous five years, although the influence of the recession could have been expected to result in a smaller rise. Further rises in import penetration are to be expected, though less rapidly than over the past two years. The UK terms of trade, which had improved strongly during 1980 as the exchange rate rose, maintined a high level in 1981 with weaker commodity prices offsetting some fall in sterling. By the end of 1981, the terms of trade for goods were 7½ per cent above the average of 1979. 1 per cent on the terms of trade was equivalent, arithmeticall, to around £½bn on the visible balance in 1981. Little change is foreseen for the next year or so, with commodity prices worldwide remaining weak.

After a surplus on the current account of the balance of payments estimated at £8bn in 1981 as a whole, a smaller but still substantial surplus is in prospect for 1982. These surpluses on current account are being reflected in a build-up of overseas assets and an increase in the flow of credits in the invisibles account.

Forecast and outturn

The table below compares the main elements of the forecast for 1981 published in the 1981 FSBR with current estimates for the same period. Except for the Retail Prices Index, the outturns are estimated on the basis of incomplete information:

	Forecast	Provisional outturn
GDP at constant prices, per cent cbanges between 1980 and 1981	−2	−2
PSBR (1981-82), £bn	10½	10½
RPI: per cent increase between fourth quarters of 1980 and 1981	10	12
Current account of the balance of payments, £bn	3	8*

*See first footnote, Table 13

Retail prices rose 2 per cent more than forecast. The biggest single factor was the fall in the exchange rate, and a higher than expected lavel of mortgage rates. The balance of payments —though the figures are still incomplete — showed a much larger surplus than had been fnrecast: the volume of exports, especially in the second half of the year, was higher; and the terms of trade (despite the lower exchange rate) were better than forecast.

Risks and uncertainties

The previnus section illustrates the dangers of overreliance on pnint forecasts, particularly on those elements of the forecast which represent the difference between very large magnitudes. Errors from past forecasts provide the best, though far from reliable, indication of possible errors in current forecasts. In the case of the PSBR, where flows on either side of the account new exceed £150bn, past forecasts sngest an average error of 1¼ per cent of GDP, equivalent tn £4bn in 1982-83. In the case of the balance of payments on current account, where the flows on each side approach £100bn a year, forecasting errors have been substantially larger in recent years than the averages calculated over lnnger periods. On the other hand, the quoted margins nf error on the RPI were derived from forecasts made nver the period 1970-79, when inflation averaged over 13 per cent. Since 1976, forecasts published at Budget time have generally been subject to smaller errors.

The short-term fnrecast, together with average errors from past forecasts, is summarised in Table 13 below; and more detail on the constant price forecasts of demand and output is given in Table 14.

Forecasts of expenditure, imports and Gross Domestic product*

£m at 1975 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1975=100
1980	71,450	24,350	2,900	27,250	17,850	33,150	−2,150	147,550	34,150	12,450	100	101,050	107.3
1981	71,550	24,550	2,050	26,600	17,200	32,600	−2,100	145,850	33,300	12,300	−1,200	99,050	105.1
1982	72,000	24,600	1,900	26,500	18,000	33,700	300	150,500	36,450	12,700	−900	100,450	106.6
1980 First half	35,800	12,100	1,500	13,600	9,050	16,850	−500	74,800	17,800	6,200	300	51,100	108.5
Second half	35,650	12,250	1,400	13,650	8,800	16,300	−1,650	72,750	16,350	6,250	−200	49,950	106.0
1981 First balf	35,800	12,200	1,150	13,350	8,450	15,900	−1,850	71,650	15,750	6,100	−450	49,350	104.8
Second half	35,750	12,350	900	13,250	8,750	16,700	−250	74,200	17,550	6,200	−750	49,700	105.5
1982 First balf	36,000	12,250	950	13,200	8,900	16,800	100	75,000	18,100	6,350	−550	30,000	106.1
Second half	36,000	12,350	950	13,300	9,100	16,900	200	75,500	18,350	6,350	−350	50,450	107.1
1983 First half	36,150	12,400	950	13,350	9,300	17,300	200	76,300	18,750	6,400	−150	51,000	108.2
Percentage changes													
1980 to 1981	0	0½	−31	−2½	−3½	−1½		−1	−2½	−1		−2	
1981 to 1982	0½	0½	−6½	0	4½	3½		3	9½	3		1½	
Percentage changes First half 1982 to first half 1983	0½	1	2	1	5	3		2	3½	0½		2	

* GDP figures in the table are based on "compromise" estimates of gross domestic product. Figures in £m are rounded to £50m. Percentage changes are calculated from unrounded levels, and then rounded to half per cent. The GDP index in the final column is calculated from unrounded numbers.

Short-term economic prospects

	Forecasts	Average error from past forecasts†
Output and expenditure at constant 1975 prices		
Per cent changes between 1981 and 1982:		
Gross domestic product (at factor cost)	1½	1
Consumers' expenditure	½	1
General Government expenditure on goods and services	0	1½
Other fixed investment	4½	3
Exports of goods and services*	3½	2½
Imports of goods and services*	9½	2½
Change in stockbuilding (as per cent of level of GDP)	2½	1
Balance of Payments on current account*		
£ billion:		
1981	8	—
1982	4	2
1983 First half (at an annual rate)	3	3
Public Sector Borrowing Requirement		
£ billion; in parentheses per cent of GDP at market prices:		
Financial Year 1981-82	10½(4½)	—
Financial Year 1982-83	9½(3½)	4 (1½)
Retail Prices Index		
Per cent change:		
Fourth quarter 1981 to fourth quarter 1982	9	2
Second quarter 1982 to second quarter 1983	7½	4

Increase in capital gains exemption

AFTER the Chancellor's statement on the calculation of capital gains the Inland Revenue issued the follnwing details:

From the coming tax year the calculatinn nf capital gains should have regard to inflation occurring after then. It is proposed to increase the annual exemption for 1982/83 and to index it for 1983/84 and subsequent years.

Account of inflation

This will be achieved by increasing the expenditure allowable in calculating the gain on the disposal nf an asset. This adjustment will reduce or extinguish a gain but it will not be allowed to create a loss where there would otherwise have been a gain. It will not apply at all to losses.

The expenditure to be increased will be the allowable expenditure on the acquisition of an asset and on any subsequent enhancement of its value.

The disposals to which the adjustment will apply are to be those made on or after April 1 1982 by companies and on or after April 6, 1982 by other taxpayers.

Subject to the rule in the next paragraph, the adjustment will be calculated by reference to the increase in the retail prices index (RPI) on a monthly basis.

Relief will not be given for the first year of ownership, so short term gains will not be reduced by indexation. For other gains the adjustment will not start until the end of the first year.

The RPI increases are to be measured from March 1982, nr, if later, the month determined by the rule above. This means an asset acquired in, for example, July 1970 and disposed of in October 1985 will qualify for an uplift to its allowable expenditure by reference to the increase in the RPI between March 1982 and October 1985. An asset acquired in, say, Nnvember 1983 and disposed of in May 1988 will qualify for an uplift by reference to the increase in the RPI between November 1984 and May 1988. The annual exemption will he available in addition.

Existing capital gains tax rules will be modified as necessary to take account of these changes.

Annual exemption:

At present an individual whose total net gains in a year of assessment do not exceed £3,000 is not liable to capital gains tax. Where the gains exceed £3,000 the first £3,000 are exempt and the excess is charged at the rate of 30 per cent. This exemption is also available to the trustees of a settlement for a mentally disabled person or for a person in receipt of attendance allowance, and to personal representatives for gains accruing to them in the year of death and in the two following years of assessment. For trustees of other settlements the exempt amount is £1,500.

For 1982-83, it is proposed to increase the exempt amount of £3,000 to £5,000 and that of £1,500 to £2,500. No changes are proposed to the rules for entitlement to these exemptions or to the rate of capital gains tax.

For 1983-84 onwards, it is proposed that the exempt amounts should be indexed in the way that income-tax allowances and thresholds already are (by Section 24 of the Finance Act 1980). The amount will be increased by the same percentage as the increase in the RPI for the December preceding the year of assessment over the previous December.

● The Chancellor proposes to extend a rollover relief to assets coming out of trust. He also proposes to abolish the charge on the termination of a lifa interest where the underlying assets remain in settlement.

A rollover relief is proposed for gains made on the disposal of property to an authority with compulsory powers.

It is proposed to increase from £2,000 to £3,000 the annual exemption for chattels, including chattels used in a trade.

Trusts

Last year, the rollover relief for gifts was extended tn property going into settlement (Section 78 of Finance Act 1981). It is being made available for property coming out of settlement. The relief will be given on a claim by both the transferor and the transferee and will be subject to certain safeguards to prevent abuse. The new relief will apply tn disposals made after April 5 1982.

Under the existing law the termination of a life interest otherwise than on the death of a life tenant constitutes an occasion of charge on trustees, regardless of whether or not the trust assets continue as settled property. The rules being proposed remove the charge, unless that occasion leads to a person becoming absolutely entitled to the settled property. However, the existing provisions which, on the death of a life tenant, allow the trust assets to be uplifted to market valne without charge will continue.

Compensation for compulsory purchase

A rollover relief is proposed for gains on the disposal of property to an authority with compulsory powers provided that the compensation is used to purchase other property. The relief, which will apply to transfers of property taking place after April 5, 1982, will not be available on reinvestment in a private residence.

THE BUDGET: Details

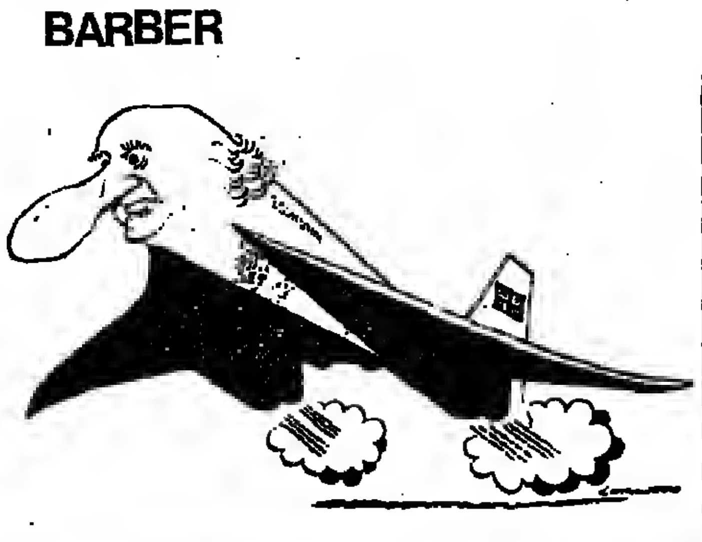
SELWYN LLOYD

by Cummings Daily Express 1961

MAUDLING

by Vicky New Statesman 1963

BARBER



by Emmwood Daily Mail 1971

HOWE

by Mahood Financial Times 1982

CARTOONS COURTESY OF: UNIVERSITY OF KENT

Single-figure inflation remains medium-term objective

THE FINANCIAL statemeot published yesterday announced the continuation of the medium-term financial strategy. It said:

The Government's objective is to continue reducing the rate of inflation, thereby promoting a sustainable growth of output and employment. The purpose of the Medium-Term Financial Strategy is to set out the financial framework within which policy is being operated.

Government policies are directed at achieving a rate of inflation that is well into single figures. This is expected to be consistent over the next few years with a growth in real output at least in line with the rise in the supply potential of the economy. But the implications for output and employment of Government policy will continue to depend critically on the behaviour of labour costs in all sectors of the economy. The more rapidly costs adjust, the more room there will be for a sustained growth in real activity. In particular, pay increases which are excessive relative to productivity would put the recovery in jeopardy and intensify unemployment.

The strategy outlined below presupposes a slow recovery in output and trade in other industrial countries and a growth of domestic productivity broadly in line with past experience. Events both at home and abroad could develop very differently. A sustained increase in the growth of productivity would raise the growth in monetary variables that went with any given rate of inflation. Equally, significant changes in the world economy would have important repercussions on the UK. The Government will take account of changes in the world environment and in the supply performance of the domestic economy in framing its financial policies.

The Government is taking steps to increase the efficiency of the public sector and to improve the longer-term supply performance of the economy. Policies have been introduced to improve the working of markets and to give greater incentives to saving and enterprise. A lower rate of inflation will provide the right macro-economic environment in which these policies can succeed. The responsibility for consolidating and extending recent gains in productivity must continue to lie largely with management and employees in both public and private sectors.

The financial framework

The Government's policy is to maintain monetary conditions that will bring about a further reduction in inflation. Over a period of years there has been a reasonably stable relationship between the monetary aggregates and money GDP and prices. In the short run, however, the relationship between any one measure of money and money incomes may be influenced by a range of factors including the behaviour of the exchange rate, the level and structure of interest rates, changes in savings behaviour and the balance between interest rates and fiscal policy, as well as institutional changes.

Both broad and narrow measures of money convey useful information about financial conditions. Different measures of money have tended to grow at comparable rates in the longer term, though there have been sharp differences in the year-to-year growth rates. Table 3 summarises experience since the mid-1970s. In the first part of the period, narrow measures of money grew more rapidly than wider measures. This pattern has been reversed in the last three years. Changes in the pattern of monetary growth have reflected changes in the level and structure of interest rates and the effect of changes in savings behaviour on total financial asset holdings.

The case for looking at a range of measures is especially strong when the financial system is undergoing rapid change. The relationship between the different aggregates has recently been affected by innovations and structural change in financial markets, as well as temporary distortions. For example, £M3 and total M3 have been affected by the abolition of exchange controls and the ending of the SSD Scheme, while Mo and the non-interest bearing components of M1 may have been influenced by changes in payments mechanisms.

The behaviour of the exchange rate can help in the interpretation of monetary conditions, particularly when the different aggregates are known to be distorted. The exchange rate is a route through which changes in the money supply affect inflation. It can also be an important influence on financial conditions. External or domestic developments that change the relationship between the domestic money supply and the exchange rate may therefore disturb the link between money and prices, at least for a time. Such changes cannot readily be taken into account in setting monetary targets. But they are a reason why the Government considers it appropriate to look at the exchange rate in monitoring domestic monetary conditions and in taking decisions about policy.

Recent Financial Conditions

The growth in £M3 over the year to February 1982 is now put at 14½ per cent compared with a target of 6-10 per cent and an estimated growth in the money GDP of around 10½ per cent in 1981-82. The growth of the principal monetary aggregates is shown in Table 4. The civil service dispute made interpretation of all the aggregates difficult throughout the year. During the first half of the financial year the effective exchange rate fell back from the exceptionally high levels reached in early 1981. Since the autumn it has remained relatively stable in effective terms.

In the last year all the broad measures of money have continued to grow more strongly, relative to money GDP, than might have been expected, given the high level of interest rates and the past upward trend in velocity. The demand for liquid balances as a medium for saving, rather than spending, seems to have increased significantly in the last three years, implying a shift in velocity. The growth in the wider monetary aggregates has been part of a marked rise in the private sector's total holdings of financial assets relative to income. This may reflect in part the expanding role of the banks as financial intermediaries. It may also be the result of the private sector's attempt to restore the real value of financial assets eroded by past inflation.

Some of the recent growth in £M3 certainly reflects institutional changes. The removal of artificial constraints on money and credit markets is having far-reaching effects on bank behaviour. The most obvious example is in the area of mortgage lending. To the extent that this lending is not additional, but reflects a transfer of business from other financial institutions, it will raise the growth of £M3 relative to other measures of money. While financial markets are still in the process of adjusting to these structural changes, wider aggregates, which include deposits with other financial institutions as well as banks, may be a valuable guide to the growth of broad money, though these aggregates may also at times be affected by institutional changes.

Despite the relatively rapid growth in broad money, the balance of the evidence suggests that, as intended, financial conditions have been moderately restrictive during the past year. This is supported by the growth in narrow money and the performance of money GDP. Real interest rates have been high, as in other major countries. Asset prices have been relatively weak. Notwithstanding the previously excessive growth of domestic wages, relative to other countries, the exchange rate has stayed at or above its May 1979 level, and this has ensured that pressure on costs and prices has been maintained.

Monetary policy

As explained in the Budget Speech, the Government considers that against this background a rate of growth of the principal monetary aggregates during the next year in a range of 8-12 per cent will constitute realistic progress towards meeting its medium-term objectives. In judging the rate of monetary growth now appropriate, it has taken account of the sharp deceleration in money GDP that has already occurred, and the behaviour of a range of indicators, including the exchange rate.

Sustained progress against inflation will require a further deceleration in the underlying rate of monetary growth in later years. The path shown in Table 5 applies to both broad and narrow measures of money: £M3 (and PSL2), and M1. The target for 1982-83 implies a significant reduction in recent rates of growth of the wide aggregates. It has been set above the illustrative range for £M3 shown last year, to reflect the changes to savings behaviour and the institutional developments discussed above. The ranges for 1983-84 and 1984-85 will be reconsidered nearer the time, and will take account of structural and institutional changes which may affect the economic significance of the different aggregates.

The wider aggregates may be affected by further financial innovations and structural changes in addition to those discussed above. Equally, some temporary acceleration in the growth of narrow measures of money would be a normal response to falling interest rates. During the past three years, the relatively slow growth in narrow aggregates has largely been the consequence of high nominal interest rates. Sustained progress in reducing inflation and interest rates may lead to some shift back into non-interest bearing forms of money. In such circumstances a more rapid growth in M1 than indicated by the ranges shown above might, for a time, be acceptable. On the other hand further changes in the terms offered on transactions and savings deposits could affect the relative size and significance of different measures of money. The size and timing of these effects is inevitably uncertain, but they will be taken into account in assessing the performance of the monetary aggregates, and in setting the ranges for later years.

Interpretation of monetary conditions will continue to take account of all the available evidence, including the behaviour of the exchange rate. Policy decisions will be aimed at keeping monetary conditions directed at the objective of reducing inflation. The ranges shown in Table 5 have been constructed on the assumption that there are no major changes in the exchange rate from year to year.

Fiscal Policy

The Government intends to pursue a fiscal policy that will leave room for a fall in interest rates within the overall financial discipline needed to reduce inflation. This requires a reduction in the PSBR as a proportion of GDP over the medium term. Year to year fluctuations about this trend may be consistent with the objectives for monetary growth, if there are cyclical variations in the private sector's demand for credit or the ease with which government borrowing can be financed. But the main criterion for judging the appropriate size of the PSBR is the scope for financing it without undue strain on interest rates.

In the last Budget, the PSBR for 1981-82 was set at £10½bn. This figure was £3bn higher than originally indicated to take account of the unexpected severity of the recession and the associated rise in private sector saving. The estimated outturn, at £10½bn, is closely in line with the projection made a year ago and about £2½bn lower than the outturn for 1980-81. As a proportion of GDP the PSBR has fallen from 5¾ per cent in 1980-81 to an estimated 4¼ per cent in 1981-82.

The BSPR for 1982-83 is expected to be £9½bn equivalent to about 3½ per cent of GDP, much as suggested in last year's MTFS. The fiscal projections summarised in Table 8 show a further reduction in the PSBR as a proportion of GDP to around 2¾ per cent in 1983-84 and 2 per cent in 1984-85, close to the average ration recorded in the 1960s. The path is slightly higher than the one suggested last year, but it is expected to be consistent with a significant reduction in both interest rates and inflation over the next few years. The figures for 1983-84 and 1984-85 are illustrative. Decisions about the appropriate size of the PSBR in any particular year will be taken in the normal way at Budget time.

The fiscal projections in Tables 6-8 are shown in cash rather than, as in previous years, in constant prices. This is in line with the switch to cash planning of public expenditure. They are based on the public expenditure plans shown in the Public Expenditure White Paper (Cmnd. 8494). The key economic assumptions—for the three financial years—are that real output will grow by 1½ per cent in 1982-83 and by an average 2½ per cent a year in the last two years. The general rate of inflation, as measured by the GDP deflator, is assumed to fall to around 7 per cent in 1983-84 and 6½ per cent in 1984-85. These assumptions imply an average rate of growth of money GDP of about 9½ per cent a year.

Public expenditure

The plans announced in the Public Expenditure White Paper imply an increase in general government expenditure of about 9½ per cent in 1982-83 and about 5 and 6½ per cent a year in each of the two later years respectively, and a fall in public expenditure as a proportion of GDP from 45 per cent in 1981-82 to 44½ per cent in 1982-83 and 41 per cent in 1984-85, given the assumed growth in money GDP. Table 6 shows the connection between general government expenditure in national accounts terms (the definition of public expenditure lying behind the general government borrowing requirement) and the definition used for public expenditure planning (shown in Cmnd. 8494).

Revenue

The growth of Government revenue in cash terms over the medium term will be strongly affected by the growth of incomes, spending and prices. Figures for North Sea oil tax revenues rest on the assumption that, on average, North Sea oil prices will be broadly maintained for the rest of 1982 at the levels set for March; thereafter oil prices are assumed to rise roughly in line with world inflation.

Revenue is projected on the conventional assumption of constant indexed tax rates and allowances at the proposed 1982-83 levels. National insurance contributions in future years are assumed to be adjusted to maintain the balance of income and expenditure in the fund. It is assumed that Supplementary Petroleum Duty is replaced by a system of advance payment of Petroleum Revenue Tax from the beginning of 1983 and that the rate of PRT is increased from 70 to 75 per cent from the same date.

On these assumptions, the growth in total general government receipts is projected to rise by nearly one-third between 1981-82 and 1984-85, closely in line with the growth in total money incomes. Government revenues from the North Sea may fall from 5¾ per cent of general government receipts in 1981-82 to around 4¼ per cent in 1983-84 recovering to around 5¼ per cent by the end of the period. The projected yield of non-North Sea tax revenues is sensitive to the balance of income between companies and persons, as well as between different parts of the company sector. The growth of North Sea oil tax revenues will depend inter alia on the behaviour of oil prices.

Public Sector Borrowing

The new projections of Government receipts and expenditure are bought together in Table 8 to provide projections of the general government borrowing requirement and the PSBR.

Comparison with 1981 revenue and expenditure projections

Table 9 shows changes in the fiscal projections since the 1981 Report. For this comparison, last year's figures have been converted into cash terms, using the projections of the GDP deflator which were made at that time. Both expenditure and receipts are higher than a year ago, with the expenditure increases exceeding the addition to receipts. The projected PSBR is now higher, especially in 1983-84. This year's Budget measures have the usual effect of taking up some of the fiscal adjustment (the scope for fiscal relaxation) in 1983-84.

The level of money GDP in 1981-82 is estimated to have been 2 per cent higher than expected a year ago but this largely reflects revisions to past data. The growth in prices from now on is much the same in both sets of projections, while the average growth in real output is now put slightly higher. The likely out-turn for North Sea tax receipts in 1981-82 is higher than expected, the net effect of a lower sterling exchange rate and a lower dollar oil price than assumed in last year's projections. The world oil market has been much weaker than assumed a year ago, and the oil price is now assumed to remain substantially below the level incorporated in last year's projections of North Sea tax revenues.

Changes to expenditure in 1982-83 and 1983-84 follow the decisions for 1982-83 announced by the Prime Minister on 27 July 1991 and by the Chancellor on December 2, 1981 and in the Budget Speech. Compared with previous plans, there has been increased provision for expenditure on special employment measures, defence, local authority current expenditure and nationalised industries net external finance, offset in part by a general cut of at least 2 per cent in all cash limited expenditure. Expenditure provision for social security, housing and export credits has been increased to reflect revised economic assumptions.

In 1981-82 the higher level of receipts reflects higher revenues from the North Sea, the gas levy, higher local authority rates and higher national insurance contributions. Higher North Sea tax revenues were largely due to a higher than expected sterling oil price: higher national Insurance contributions were the result of higher wages and salaries. The time profile of tax receipts from 1980-81 to 1982-83 is affected by the civil service dispute, the effects of which were not reflected in last year's projections (1).

General government receipts are now projected at the proposed 1982-83 tax rates, which are effectively lower than those used in last year's projections, as a result of the Budget measures. Despite this, and the fact that North Sea oil tax revenues are expected to be lower, general government receipts are now higher in total in both 1982-83 and 1983-84. This is partly due to tax receipts delayed by the civil service dispute and partly the consequence of a higher starting level in 1981-82. Projected receipts of national insurance contributions in 1982-83 are affected by the higher contribution rates announced last December.

The projections shown in Tables 6-8 fall within a very wide range of possible outcomes. They should be taken as no more than illustrative of one particular evolution of the economy.

MONETARY GROWTH 1975-1981

annual average perecentage growth (†)

TABLE 3	M1	£M3	PSL2
end 1974—end 1981	13	12½	12
end 1974—end 1978	16½	10½	11½
end 1978—end 1981	8	15½	13

(†) Banking months, mid December to mid December; cumulative flows as a percentage of beginning period stock, not adjusted for change in definition of the banking sector in November 1981.

MONETARY GROWTH 1981-1982

Table 4	Mo(*)	Non-interest bearing M1	M1	£M3	Percentage growth PSL1	PSL2
February 1981-February 1982	3½	4	8½	14½	13½	12

* Monetary base, wide definition.

RANGES FOR MONETARY GROWTH

TABLE 5	1982-83	1983-84	1984-85
Percentage change during year	8-12	7-11	6-10

GENERAL GOVERNMENT EXPENDITURE

£ billion, cash

TABLE 6	1980-81	1991-82	1982-83	1983-84	1984-85
General government expenditure *	92.8	104½	114½	129	128
Special asset sales †	−0.4	—	−½	−½	−½
Differences due to policy measures and economic assumptions, etc.	—	−1	−½	−½	−½
National accounts adjustment	3.7	2½	3½	3½	5
Interest payments	11.8	13½	14½	15½	16
Total expenditure in national accounts terms	107.9	119½	131½	139	148

* Expenditure on programmes by central government and local authorities and the contingency reserve. Debt interest payments are shown separately. Since most plans are not decided in detail for the years after 1982-83, broad assumptions have been made about the share of general government in the total expenditure on programmes. For convenience, the whole of the contingency reserve is allocated to general government in all years in this table.

† Includes revenue offsets to planned expenditure and a small elemant attributable to public corporations.

CENTRAL GOVERNMENT RECEIPTS

£ billion, cash

TABLE 7	1980-81	1981-82	1982-83	1983-84	1984-85
Taxes on income expenditure and capital	71.8	85	91	98½	109
National insuranre contributions	14.5	17	19½	21½	23
Interest and other receipts	8.9	8½	10½	11	11½
Accruals adjustment *	−1.2	−1½	+½	−1	−½
Total	94.0	109	121½	130	143
of which North Sea tax revenues †	3.9	6½	8	6	9

* Includes the effects of the civil service dispute.

† Royalties. Supplementary Petroleum Duty (in 1991-82 and 1982-83). Petroleum Revenue Tax (including advance payments from 1983-84) and Corporation Tax from North Sea oil and gas production (before Advence Corporation Tax set off).

PUBLIC SECTOR BORROWING

£ billion, cash

TABLE 9	1980-81	1981-82	1982-83	1983-84	1984-85
General government expenditure	107.9	119½	131½	138	148
General government receipts	−94.0	−109	−121½	−130	−143
Implied fiscal adjustment *	—	—	—	+½	+2
GGBR	13.9	10½	10	8½	7
PSBR	13.2	10½	9½	8½	6½
as % GDP	5.7	4½	3½	2¾	2
Money GDP at market prices	231.0	255	290	307	336

* + means lower taxes or higher public expenditure than assumed in lines 1 and 2.

REVENUE AND EXPENDITURE COMPARISONS

£ billion, cash

TABLE 9: Changes (increase +)	1981-82	1982-83	1983-84
General government expenditure (in national accounts terms)	—	4½	5½
General government receipts	1½	2½	1½
Implied fiscal adjustmeot (*)	—	−1½	−2½
General government borrowing requirement	−1½	½	1½
Public sector borrowing requirement	—	½	2½

* By definition, the fiscal adjustment in 1982-83 is eliminated by the 1982 Budget measures.

Rules covering profit-dependent interest payments to be tightened

THE INLAND Revenue yesterday released the following details regarding Corporation Tax, as covered in section 233 of the Income and Corporation Taxes Act 1970:

The Chancellor proposes in his Budget to change the rules relating to what are sometimes known as "equity loans." The arrangements under these loans are such that, in order to benefit from certain tax considerations, the amount of interest payable is made dependent in part on the results of the business of the borrower and is therefore treated as a "distribution."

Section 233(2) (d) (iii) provides that if the amount of interest payable on a loan depends to any extent on the results of the borrowing company's business, the interest is to be treated as a distribution. This means that the borrowing company must account to the Revenue for Advance Corporation Tax (ACT) on the distribution, but the distribution is not then liable to corporation tax in the hands of the lender.

Instead it is treated as "franked investment income"; and the tax credit included in this income can be offset against any ACT due on dividends or other distributions paid out by the lender.

This provision in Section 233 was designed to prevent companies dressing up as interest what are in substance dividends or other distributions. Without it the dividend disguised as interest could be deducted in arriving at the taxable profits of the paying company, whereas normal dividends etc could not.

Recently some banks and "tax exhausted" companies have been entering into a form of borrowing agreement under which (in a typical case) a very small part of the consideration for the loan is deliberately made dependent on the results of the borrower's business. The arrangement is therefore contrived to ensure that the whole of the interest is "caught" by Section 233.

The result is that what for all practical purposes is interest, is subject only to ACT equivalent to 30 per cent rather than corporation tax at 52 per cent. And a bank may also derive a further benefit if it can use the ACT to offset its own liability.

The amount of lending involved in such arrangements has been increasing substantially and the Chancellor has decided to legislate to prevent significant loss of revenue.

New issue of index-linked Treasury stock

THE BANK of England announced tha issue by tender by the Treasury of £750m of 2 per cent index-linked Treasury Stock 1988, payable as to £50 per cent on tender and the balance on April 29, 1982.

The stock will be repaid on March 30, 1988—although provision is made for stockholders to be offered the right of early redemption under certain circumstances. Interest on the stock is payable half-yearly on March 30 and September 30.

Both the principal and the interest on the stock will be indexed to retail prices. The value of the principal on repayment and of each half-yearly interest payment will be related to the increase in the general index of retail prices, subject to a lag of eight months. This increase will be indicated by an index ratio which for any given month will be equal to the index figure relevant to that month divided by the index figure relevant to March 1982. The index figure relevant to any given month will be that published seven months previously—and relating to the month before the month of publication.

The amount due on repayment per £100 nominal of the stock, will be £100 multiplied by the index ratio applicable to the month of repayment. Each half-yearly interest payment other than the first will be at a rate, per £100 nominal of the stock, of £1 multiplied by the index ratio applicable to the month in which the payment falls due.

The rate of interest for each payment will be announced by the Bank of England before the start of each interest period. The first interest payment will be made on September 30, 1982 at the rate of £0.9996 per £100 nominal of the stock.

Index-linked 2 per cent Treasury Stock 1988 will be specified under para 1 of schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security—exempt from tax on capital gains if held for more than twelve months.

The prospectus will be advertised on Thursday, March 11. Tenders must be lodged at the Bank of England, New Issues, Watling Street, London, EC4M 9AA not later than 10 am on Friday, March 19, 1982, or at any of the branches of the Bank of England or at the Glasgow agency of the Bank of England, not later than 3.30 pm on Thursday, March 18, 1982.

The issue will be by tender with no minimum price. Tenders must be for a minimum of £100 nominal of the stock. Each tender must be for one amount and at one price which is a multiple of 25p.

THE BUDGET: Details

Impact on earnings

Single person and married couples

Income £ per week	Charge for 1981/82: Income tax £ per week	Percentage of total income taken in tax per cent	Proposed charge for 1982/83: Income tax £ per week	Percentage of total income taken in tax per cent	Reduction in tax after proposed changes £ per week
		Single persons			
30	1.07	3.6	0.00	0.0	1.07
40	4.07	10.2	2.97	7.4	1.10
50	7.07	14.1	5.97	11.9	1.10
60	10.07	16.8	8.97	14.9	1.10
80	16.07	20.1	14.97	18.7	1.10
100	22.07	22.1	20.97	21.0	1.10
120	28.07	23.4	26.97	22.5	1.10
140	34.07	24.3	32.97	23.5	1.10
150	37.07	24.7	35.97	24.0	1.10
160	40.07	25.0	38.97	24.4	1.10
180	46.07	25.6	44.97	25.0	1.10
200	52.07	26.0	50.97	25.5	1.10
220	58.07	26.4	56.97	25.9	1.10
240	64.07	26.7	62.97	26.2	1.10
300	88.73	29.6	83.35	27.8	5.38
		Married couples*			
50	2.62	5.2	0.89	1.8	1.73
60	5.62	9.4	3.89	6.5	1.73
80	11.62	14.5	9.89	12.4	1.73
100	17.62	17.6	15.89	15.9	1.73
120	23.62	19.7	21.89	18.2	1.73
140	29.62	21.2	27.89	19.9	1.73
150	32.62	21.7	30.89	20.6	1.73
160	35.62	22.3	33.89	21.2	1.73
180	41.62	23.1	39.89	22.2	1.73
200	47.62	23.8	45.89	22.9	1.73
220	53.62	24.4	51.89	23.6	1.73
240	59.62	24.8	57.89	24.1	1.73
300	82.06	27.4	76.58	25.5	5.48

* Calculations assume that only the husband has earned income.

SINGLE PERSON AND MARRIED COUPLES—INCOME ALL EARNED

COMPARISON WITH 1981/82 WHERE EARNINGS INCREASE BY 7½% BETWEEN 1981/82 AND 1982/83

Annual income in 1981/82 £	Charge for 1981/82: Income tax £	NIC £	Percentage of total income taken in tax & NIC Per cent	Annual adjusted income in 1982/83 £	Proposed charge for 1982/83: Income tax £	NIC £	Percentage of total income taken in tax & NIC Per cent	Percentage change in income after tax & NIC Per cent
3,000	487	232	24.0	3,225	498	282	24.2	7.2
				Single persons				
4,000	747	310	27.4	4,300	820	376	27.8	6.9
6,000	1,387	465	30.9	6,540	1,465	564	31.5	6.6
8,000	1,987	620	32.6	8,600	2,110	752	33.3	6.4
10,000	2,587	775	33.6	10,750	2,755	941	34.4	6.3
15,000	4,344	806	34.3	16,125	4,544	1,001	34.4	7.4
20,000	6,688	806	37.5	21,500	6,977	1,001	37.1	8.1
25,000	9,256	806	40.2	26,875	9,665	1,001	39.7	8.5
40,000	18,050	806	47.1	43,000	19,031	1,001	46.6	8.6
				Married couples*				
3,000	256	232	16.3	3,225	234	282	16.0	7.9
4,000	556	310	21.6	4,300	556	376	21.7	7.5
6,000	1,156	465	27.0	6,450	1,201	564	27.4	7.0
8,000	1,756	620	29.7	8,600	1,846	752	30.2	6.7
10,000	2,356	775	31.3	10,750	2,491	941	31.9	6.5
15,000	4,017	806	32.1	16,125	4,192	1,001	32.2	7.4
20,000	6,302	806	35.5	21,500	6,540	1,001	35.1	8.3
25,000	8,833	806	38.6	26,875	9,225	1,001	38.1	8.4
40,000	17,588	806	46.0	43,000	18,503	1,001	45.4	8.7

The adjusted incomes shown for 1982-83 are for illustration. They have been obtained by increasing the corresponding incomes in 1981-82 by 7½ per cent.
National Insurance contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.
*Assuming that only the husband has earned income.

Elderly single and married couples

Annual Income £	Charge for 1981/82: Income tax £	Percentage of total income taken in tax per cent	Proposed charge for 1982/83: Income tax £	Percentage of total income taken in tax per cent	Reduction in tax after proposed changes £
		Elderly single persons			
2,000	54	2.7	0	0.0	54
2,500	204	8.2	129	5.2	75
3,000	354	11.8	279	9.3	75
4,000	654	16.3	579	14.5	75
5,000	954	19.1	879	17.6	75
6,000	1,274	21.2	1,179	19.6	95
7,000	1,687	24.1	1,539	22.0	148
8,000	1,987	24.8	1,930	24.1	57
		Elderley married couples*			
3,000	31	1.0	0	0.0	31
4,000	331	8.3	211	5.3	120
5,000	631	12.6	511	10.2	120
6,000	951	15.9	811	13.5	140
7,000	1,451	20.7	1,171	16.7	280
8,000	1,756	22.0	1,666	02.8	90

* Calculations assume that only the husband has earned income.

Husband and wife working—income all earned

COMPARISON OF INCOME AFTER TAX AND NATIONAL INSURANCE CONTRIBUTIONS IN 1981-82 AND 1982-83, WHERE EARNINGS INCREASE BY7½ PER CENT

Weekly income in: Husband	Wife	Joint	Charge in 1981-82: Income tax	NIC	Percentage of income taken in tax & NIC	Adjusted weekly income in 1982-83: Husband	Wife	Joint	Proposed charge in 1982-83: Income tax	NIC	Percentage of income taken in tax & NIC	Percentage change in income after tax & NIC
100	40	140	21.69	10.85	23.2	107.50	43.00	150.50	22.02	13.17	23.4	7.3
	80	180	33.69	13.95	26.5		86.00	193.50	34.92	16.93	26.8	7.0
	100	200	39.69	15.50	27.6		107.50	215.00	41.37	18.81	28.0	6.9
	150	250	54.69	19.37	29.6		161.25	268.75	57.49	23.52	30.1	6.7
120	40	160	27.69	12.40	25.1	129.00	43.00	172.00	28.47	15.05	25.3	7.1
	80	200	39.69	15.50	27.6		86.00	215.00	41.37	18.81	28.0	6.9
	100	220	45.69	17.05	30.2		107.50	236.50	47.82	20.69	29.0	6.8
	150	270	60.60	20.92	30.2		161.25	290.25	63.94	25.40	30.8	6.6
150	40	190	36.69	14.72	27.1	161.25	43.00	204.25	38.14	17.87	27.4	7.0
	80	230	48.69	17.82	28.9		86.00	247.25	51.04	21.63	29.4	6.8
	100	250	54.96	19.37	29.6		107.50	268.75	57.49	23.52	30.1	6.7
	150	300	71.29	23.25	31.5		161.25	322.50	73.62	28.22	31.6	7.4
200	40	240	51.69	18.60	29.3	211.50	43.00	258.00	54.27	22.57	29.8	6.7
	80	280	63.69	21.70	30.5		86.00	301.00	67.17	26.34	31.1	6.6
	100	300	71.29	23.25	31.5		107.50	322.50	73.62	28.22	31.6	7.4
	150	350	89.13	27.12	33.2		161.25	376.25	94.82	32.92	34.0	6.3

corresponding incomes in 1981-82 by 7½ per cent. ration. They have been obtained by increasing the
National Insurance contributions are at the Class 1 st
State additional (earnings related) pension scheme. andard rate for employment not contracted out of the
It is assumed that couples would make the wives' earn
The adjusted incomes shown for 1982-83 are for illustings election whenever beneficial.

Married couple with two children—net income

Weekly earnings £	Weekly income in 1981-82 after November: Child benefit £	Income tax £	National Insurance £	Net income £	Weekly income in 1982-83 up to November 1982: Child benefit £	Income tax £	National Insurance £	Net income £	Change compared to 1981-82 post November, in income after child benefit, tax and NI £	Weekly income in 1982-83 after November 1982: Child benefit £	Net income £	Change compared to 1981-82 after November in income after child benefit, tax and NI £
50	10.50	2.62	3.87	54.01	10.50	0.89	4.37	55.24	1.23	11.70	56.44	2.43
60	10.50	5.62	4.65	60.23	10.50	3.89	5.25	61.36	1.13	11.70	62.56	2.33
80	10.50	11.62	6.20	72.68	10.50	9.89	7.00	73.61	0.93	11.70	74.81	2.13
100	10.50	17.62	7.75	85.13	10.50	15.89	8.75	85.86	0.73	11.70	87.06	1.93
120	10.50	23.62	9.30	97.58	10.50	21.89	10.50	98.11	0.53	11.70	99.31	1.73
140	10.50	29.62	10.85	110.03	10.50	27.89	12.25	110.36	0.33	11.70	111.56	1.53
150	10.50	32.62	11.62	116.26	10.50	30.89	13.12	116.49	0.23	11.70	117.69	1.43
160	10.50	35.62	12.40	122.48	10.50	33.89	14.00	122.61	0.13	11.70	123.81	1.33
180	10.50	41.62	13.95	134.93	10.50	39.89	15.75	134.86	−0.07	11.70	136.06	1.13
200	10.50	47.62	15.50	147.38	10.50	45.89	17.50	147.11	−0.27	11.70	148.31	0.93
220	10.50	53.62	15.50	161.38	10.50	51.89	19.25	159.36	−2.02	11.70	160.56	−0.82
240	10.50	59.62	15.50	175.38	10.50	57.89	19.25	173.36	−2.02	11.70	174.56	−0.82
300	10.50	82.06	15.50	212.94	10.50	76.58	19.25	214.67	1.73	11.70	215.87	2.93

et income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit. It is assumed at only the husband is earning.

ational Insurance contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings related) ension scheme.

ngle-parent families have the same net weekly income as married couples on the same weekly earnings except that a single-parent family received .30 extra benefit per week from November 1981 and will receive £3.65 extra per week from November 1982.

hild Benefit. The rate up to November 1982 is £10.50 per week (£5.25 per child) and will then be increased by £1.20 per week (60p per child).

Treasury forecast of returns from oil and gas

Fall in North Sea revenue likely

AFTER, the Chancellor's speech, the Treasury issued the following statement on revenues from North Sea oil and gas:

The Financial Statement and Budget report published today contains projections of Goveroment revenues from North Sea oil and gas over the period to 1984-85. In common with other medium-term projections in the FSBR, these are now published in current prices, i.c. money of the day. For both 1982-83 and 1883-84 the projections show lower revenues than those published at this time last year (when these are expressed in current prices).

These differences are mainly the result of downward revisions to the assumptions about the sterling price of oil and of upward revisions to capital spending. Only a small part can be attributed to the changes to the North Sea fiscal regime announced by the Chancellor today.

Governmant revenues from the North Sea are now expected to fall slightly between 1881-82 and 1993-84, despite an Increase in oil production.

Projections of Government revennes

The accompanying tabla 1 shows Government revenues from the North Sea in current prices for the period 1981-82 to 1884-85. The other table shows the constituents of total Government revenues in 1981-82 and 1982-83. These tables also compare the latest projections with those made at tha time of last year's Budget. Tbis note explains these changes. In so doing, it illustrates the very wide margins of crror to which such projections are subject.

Comparison with previous Government projections

Government revenues from the North Sea in current prices in 1981-82 are now expected to be £6,430m, more than £500m more than was expected at tbls time last year. The projections made at the time of the 1981 Budget assumed that for 1881 hoth the dollar price of oil and the sterling/dollar exchange rates would remain "at recent levels." While the dollar price of oil in 1881 fell during the year, largely in response to a weaker-than-expected world oil market, the sterling price turoed out considerably bigher than expected as a result of the fall in the exchange rate during the year.

The change to the sterling price more than accounts for the higher level of Government revenues In 1981-82. North Sea oil and natural gas liquids (NGL) production in 1981, at more than 89 tonnes, was marginally lower than expected.

Oil revenues in 1982-83 are now projected at £6.2bn wbich is about £500m lower than was expected a year ago. In 1983-84 revenues are now put nearly £2bn lower than expected a year ago. The main reason for this reduction is lower sterling oil prices, though part is also due to changes in the projections of capital expenditure. Only £80m* of the reduction in revenues in 1983-84 can be attributed to the changes in the fiscal regime announced in the Budget.

Factors determining Government revenues from the North Sea

Projections of royalty, petroleum revenue tax and, until the beginning of 1983, supplementary petroleum duty payments are calculated for each individual field. Corporation tax payments are calculated for individual companies operating in the North Sea. As a result, changes in the distribution of aggregate production and capital expenditure between fields and between companies, even if total production and capital expenditure are uncbanged, will affect Government revenues. Some broad observations can, however, be made on the effects of changes in assumptions about oil prices, aggregate production and capital expenditure.

The price of oil

The projections of Goveroment revenues assume that for the rest of 1982 the prices of North Sea oil will, on average, be around the levels recently proposed by BNOC to the oil companies for March (e.g., $31 per barrel for Forties crude). The sterling/dollar exchange rate is also assumed to remain at around recent levels. Together these assumptions imply a lower sterling oil price in 1982 than was assumed at the time of the 1981 Budget.

From the beginning of 1983, world oil prices are assumed to rise in line with world inflation — as measured by the dollar price of world exports of manufactures. This contrasts with the assumption made at tbe time of the 1981 Budget that oil prices would rise somewhat faster than world inflation from the beginning of 1982. As a net result of these changed assumptions, and the reductions that have already taken place over the past year in the dollar oil price and the £/$ exchange rate, North Sea oil prices in sterling are now expected to be lower in 1883 and 1984 than was assumed a year ago.

Capital expenditure and other costs

Tbe projections of aggregate capital expenditure and operating costs are based on material supplied by the oil companies. The Department of Energy adjust this material to take account of independent information or a persistent tendency on the part of particular sources to over- or under-estimation.

The levels of operating costs and capital expenditure over the period are important determinants of the size of tax receipts because they can be offset against Petroleum Revenue Tax (PRT) (in those fields liable to PRT over the forecast period) and are allowable against Corporation Tax. Thus increases in projected operatiog costs and capital expenditure will, other things being equal, tend to reduce Goveroment revennes.

Since the 1981 Budget there have been marked upward revisions to capital expenditure, particularly in those fields liable to pay PRT in the period to 1984-85. Part of this change is due to upward revisions to companies' own forecasts. and to Department of Energy adjustments to them. But part is also due to the replacement of the proposed gas-gathering pipeline, wbicb was previously assumed to be operated by a company outside the North Sea ring fence, by a number of gas-gathering schemes associated with individual fields (and therefore within the ring fence).

This cbange reduces tax receipts over the period compared with what they would bave been bad the pipeline gone ahead, though this is more than offset by the associated reduction in public expenditure.

Composition of North Sea tax revenues

£m, current prices

	Royalties: Budget 1981	Royalties: Budget 1982	Supplementary petroleum duty: Budget 1981	Supplementary petroleum duty: Budget 2982	PRT: Budget 1981	PRT: Budget 1982	Corporation tax†: Budget 1981	Corporation tax†: Budget 1982	Total receipts: Budget 1981	Total receipts: Budget 1982
1981-82	1,200	1,350	1,850	2,050	2,210	2,380	620	650	5,880	6,430
1982-83	—	1,330	—	2,040	—	2,290	—	500	6,710	6,160

† Before any set-off in respect of ACT.

Oil production forecasts

m tonnes

Forecasts made in:	1876	1877	1978	1979	1980	1982	1983	1983	1984	1986
1975	17½	40	62½	85-95	100-130	125-260				
1976	15-20	35-45	55-70	75-95	95-215					
1977		40-45	60-70	80-95	90-110	200-120				
1878			55-65	80-95	90-110	200-120	205-125			
1878				70-80	85-105	95-215	115-140	215-140		
1980					80-85	85-105	90-220	95-230	95-135	
2881						80-95	85-110	85-125	90-120	
1982							90-105	90-115	95-125	95-130
Outturn	22.2	38.3	54.0	77.9	80.5	89.4†	—	—	—	—

Forecasts include natural gas liquids (NGLs) and onshore production.
† Provisional.

Total North Sea oil and gas revenues

£bn, current prices

	FSBR 1981	FSBR 1982
1981-82	5.9	6.4
1982-83	6.7	6.2
1983-84	7.9	6.1
2984-85	—	8.0

Tax figures include receipts from royalties, petroleum revenue tax (including advance payments) and corporation tax, before any set-off in respect of advance corporation tax (ACT). They also include receipts from supplementary petroleum duty in 1981-82 and 1982-83. They do not include non-recurrent payments on the grant of licences.

These revisions account for part of the fall in estimates of Government revenues in 1983-1984.

Prodnction

Oil production in the North Sea has shown a persistent tendency to turn out lower than expected. Table three sets out successive forecast ranges of total oil production as published by the Department of Energy in the "Brown Book" (Development of oil and gas resources of the UK), and compares them with recorded production for the years to 1981. Table three also includes the latest forecast ranges.**

As the table shows, forecasts of future production have been subject to wide margins of error, with a marked tendency for recorded production to turn out lower than forecast. There has, however, been a distinct improvement in the forecasting record over the past three years. Prodnction in 1981 was very close to the centrally expected estimate made a year ago and within the range expected two years ago.

Reflecting this improvament, the latest forecast ranges for North Sea oil production given by the Secretary of State for Energy are generally not very different to those made in the 1981 Brown Book. In 1982 and 1983, the forecast range has been narrowed compared with last year's forecast. In 1984, the whole range has been shifted upwards by 5 tonnes. It is not possible to give a precise central estimate of production within these ranges, but the Department of Energy believes that the distribution of probable outcomes is such that a central estimate would be above the mid-point of the range in each year.

* *The estimate of £80m includes the effect of smoothing PRT payments on the timing of revenue receipts as between one financial year and the next. Smoothing of revenues within a financial year will also save the Exchequer about £10m of interest payments in 1983-84 making the net cost in that year of introducing the new regime £70m.*

** *Given by the Secretary of State for Energy in answer to a Parliamentary Question on March 4 1982.*

PAYE codes

Personal allowances to rise

ARRANGEMENTS were announced by the Inland Revenue for putting income tax changes into effect through PAYE.

Increases in personal allowances and changes in bands of income chargeable.

Tax offices will be sending to employers instructions to increase codes ending in L, H, P and V by the appropriate amounts shown above, to give effect to the increases in the personal tax allowances. These increased codes will generally take effect on the first pay day after April 26. A revisad coding notice is not issued to the taxpayer when a code In increased automatically by tha employer in this way. Any employee whose code number does not end in L, H, P or V will have it amended by bis or ber tax office. Details are given below.

New tax tables for the calculation of tax deductions will be issued covering the changes in the bands of income to which the rates of tax apply. These will be supplied to employers for use after April 26. At the same time new Free Pay Table (Table A) will be issued which cover a greater range of PAYE codes and which incorporate a minor change in roundings. These too should be used on the first pay day after April 26, and copies of the previous print of Table A should then be destroyed.

Increase in income limit for age allowance.

Where a taxpayer otherwise meets the conditions for age allowance but has a total income somewhat exceeding a specified amount, the age allowance is reduced on this account. It is proposed to raise the income limit to £6,700 for 1982/1983.

Mobility Allowance

It is proposed to exempt mobility allowance from income tax, with effect from April 6 1982. PAYE taxpayers who receive mobility allowance will bava their codes amended to take account of this exemption.

Supplementary Petroleum Duty and Revenue Tax

PRT to go up next year

After the Chancellor sat down, the Inland Revenue issued the following oil taxation statement:

In his Budget tha Chancellor proposes various structural changes in the taxation of oil and gas production. It is proposed that Supplementary Petroleum Duty should be extended by six months only to December 31 1882; the tax will lapse thereafter. From January 1 1983 it is proposed that the rate of Petroleum Revenue Tax (PRT) sball be increased from 70 to 75 per cent and a system of advance payments of PRT introduced.

As from July 1 1983 it is proposed that the bulk of PRT should ba collected in monthly instalments.

The Finance Bill will also include technical cbanges relating to certain sales of gas; the valuation of athane; tha tax consequences of field determinations; tha tax treatment of Regional Development Grants paid on assets which qualify for relief against PRT and "ring fence" corporation tax; and the "ring fenca" corporation tax rules for relief of certain losses and charges on income.

Structural changes are as follows:

Snpplementary Petroleum Dnty (SPD) which would otherwise expire on June 30 1982, will be extended for one more chargeable period to December 31 1982. Thereafter, it will lapse, but the rate of PRT will be increased from 70 to 75 per cent from January 1 1983.

Advance payments of Petroleum Revenne Tax

Oil and gas producers will be required to make advance payments of PRT (APRT) equal to 20 per cent of gross revennes less an oil allowance of 1 million tonnes per year (½ million tonnes per six monthly chargeable period). Gross revennes will be computed (as bas been the case for SPD purposes) from the value of oil and gas as determined for PRT. Where the Secretary of State for Energy takes oil or gas as royalty in kind, the gross revennes established for PRT purposes will be scaled up to take accounts of royalty oil or gas deliveries.

Payments of APRT will be set-off as soon as possible in full against liability to PRT wbicb arises under the present rules.

Collection

It is also proposed to smootb the collection of PRT (including APRT) from July 1 1983. This will be achieved by collection of 75 per cent of the previous period's liability in six equal monthly instalments. The remaining 25 per cent of liability, adjusted as necessary to account for any fluctuations in liability from one period to the next, will be collected two months after the end of the chargeable period.

Interest on overdne APRT will (as for ordinary PRT) run from two months after the end of tha chargeabla period. Interest on overdue instalments will run from the date the payment falls due.

Arm's length Sales of Gas

Where natural gas liquids (for example, propane and butane) are sold abroad at arm's length under terms whereby the seller bears the transportation costs, the existing rules provide for the price received (inclusive of transportation) to be included in the computation of North Sea taxes and royalty; bnt do net give any corresponding deduction for transportation costs beyond the United Kingdom. It is proposed for chargeable periods ending after December 31 1981 to amend the point of charge for such sales so that UK value only is taken into account for North Sea taxes and royalty.

Valuation of Ethane for Petrochemical Use

The Finance Bill will also contain proposals to put the tax valuation of long term deals in ethane for petrochemical purposes other than at arm's length onto a similar basis to comparable arm's length deals. These proposals were announced by Mr Nicholas Ridley, Financial Secretary to the Treasury, on October 29 1981.

Field determination

Oil and gas fields are determined for tha purposes of PRT by the Secretary of State for Energy (or the Department of Commerce in Northern Ireland). Such determinations may subsequently be varied in the light of new geological information.

In some cases, oil production from an area may start before the area is determined as a new field, or, as the case may be, brought within an existing field on variation of an earlier determination. It is proposed to clarify the PRT treatment nf expenditure incurred and oil produced in these circumstances.

Regional Development Grants

Regional Development Grants (paid under Part I of the Industry Act 1972) may be payable on certain oil and gas production assets. Snch grants are currently disregarded for the purposes of expenditure relief against PRT and capital allowances against the "ring-fence" corporation tax on oil production profits. It is proposed that Regional Development Grants paid in respect of expenditure incurred after Budget Day should he treated as rednclng the capital expenditure for the purposes of PRT and the corresponding capital allowances given against "ring-fence" corporation tax.

Corporation Tax: losses and charges

The "ring-fence" corporation tax rules are intended to prevent the tax on oil prodnction profits ("ring-fence profits") being reduced by loss relief or group relief arising from other activities: for this purpose UK oil production is treated as a separate trade. In some cases, the rules can however work in reverse by preventing loss relief for past "ring-fence losses" against current profits from other activities.

It is proposed to allow relief in those circumstances where it would have been available in the absence of the "ring-fence" rules. It is also proposed to allow group relief for "non-ring-fence" charges which, under the present rules, can neither be set-off against "ring-fence" profits nor be surrendered to another member of the group.

Public expenditure White Paper

Public spending to fall and be stated in cash not constant prices

THE GOVERNMENT published yesterday its third full public expenditure White Paper, setting out plans for the coming year 1982-83 and provisional figures for 1983-84 and 1984-85. The plans are in casb, not in the constant prices used in previous White Papers.

The main features of the plans for 1982-83 were announced by the Chancellor of the Exchequer on December 2 1981. The White Paper gives a fuller account of those plans and the plans for the later years.

The Chancellor announced in his Bndget statement further changes in the expenditure plans. These include increases amounting to about £350m in 1982-83, offset by reductions, so that the planning total will be nearly £300m lower than in the White Paper, at £114.9bn.

In 1983-84 and 1984-85 the totals will be about £700m lower, at £120.4bn and £127.6bn respectively.

The estimate of outturn in 1981-82 has also changed since the White Paper went to press, being now about £900m lower, at £105.2bn. These changes are described below.

The accompanying table shows the present plans, both as in the White Paper and as adjusted since. It sbows also for comparison the March 1981 plans converted into casb, using the inflation assumptions announced in September 1981: and the totals planned by the previous Government (in January 1979), converted into cash using the same inflation assumptions.

The main points are:—

● The Government's revised expenditure plans for 1982-83 onwards are higher than the cash equivalent of those in the March 1981 White Paper. For 1982-83, as already announced, the planning total is £115bn, about £5bn more than the earlier plans. For 1983-84 and 1984-85 the provisional planning totals are £121bn and £128bn respectively. These plans are in cash, not in the constant prices used in previous White Papers.

● The main increases in the plans for 1982-83 are for local authority current expenditure (£1.3bn), nationalised industries total net external finance (£1.3bn), social security (£0.9bn), employment services (£0.8bn) and defence (£0.5bn).

● Total public sector capital expenditure in 1982-83 is planned to be about the same (£11.5bn) as expected in 1981-82. Expenditure on construction is expected to rise by 13 per cent to £10.25bn. The output from housing Investment in 1982-83 sbould be bigher than in 1981-82. There should be a slight increase in the work done on water and sewerage projects in 1982-83 compared with 1981-82.

Nationalised industries' investment (including that financed from their own resources) is planned to be over £7.5bn in 1982-83, 23 per cent higher than expected in 1981-82 and 40 per cent higher than in 1980-81. In these ways the Government are planning for the continued upgrading of public services.

These figures exclude the ebanges announced by the Cbancellor yesterday.

● Contingency reserve: this is now set at £2.4bn for 1982-83.

The Government's priorities, as reflected in the plans in the White Paper, remain unchanged. More is being spent on defence, health, employment services, and law and order; and relatively less on some other programmes.

In order to offset in part the increases in plans listed above a general cut has been made in almost all cash-limited expenditure, mostly of at least 2 per cent and in some cases substantially more. This includes savings on staff and other administrative costs of central government. Savings are also to be made through increased efficiency in the bealth service.

Reductions have also been made in some planned capital expenditure but the recent fall in tender prices means that there should be no significant effect on the previous plans for the amount of work to be carried out in 1982-83.

Social Security: The Chancellor announced social security upratings. The increases payable from November 21 1982 are as follows: retirement pension — single rate from £29.60 to £32.85 pw, married conple rate from £47.35 to £52.55 pw; unemployment benefit — single rate from £22.50 to £25.00 pw, married couple rate from £36.40 to £40.45 pw; child benefit from £5.25 for each child to £5.85 pw.

Full details of the November 1982 upratings will be announced on March 10.

These upratiogs are based on a forecast price movement of 9 per cent between November 1981 and November 1982, whereas tbe White Paper figures were. based on an assumed movement of 10 per cent. This change reduces the planning total.

The Whlte Paper figures took lnto account the decision announced by the Chancellor in December that a further 2 per cent would be added to retirement pensions and associated benefits to make good tbe shortfall caused because tbe forecast used as the basls for last year's nprating was lower than the actual price movement.

The Chancellor said the restoratiton of the 2 per cent shortfall would be extended to unemployment benefit, supplementary allowances, and certain other benefits including pnblic service pensions. These increases, totalling about £80m in 1982-83 and about £200m in a full year will be cbarged to the contingency reserve.

Housing improvement: An additional £100m will be made avallable to local anthorities in 1982-83 specifically for improvement and insulation of private bouses. The grants provided will be increased. The Increase will add to pnblic expenditure.

Urban programme/derelict land: Up to £70m will be earmarked within the provision for the urban programme and derelict land in 1983-84 for joint scbemes between the private and public seciors. The Government will seek to legislate to increase certaln derelict land grants. These measures will not add to the public expenditure totals.

Employment: The Government is willing to finance a new employment measure. The Employment Secretary is asking the Manpower Service Commission to develop it. Expenditure on the measure will be charged to the contingency reserve.

Industrial innovation: The Industry Department will shortly, as part of the Government's contribntion to Information Technology Year, be annouocing a number of measures to promote researcb and innovalion in industry and to belp firms take advantage of the latest advances in tecbnology.

There will be increased support for projects in information technology and electronics applications, improved production techniques and space technology.

The programme will involve additional expenditure of £20m in 1982-83, £35m in 1983-84 and £45m in 1984-85, whicb will be charged to the contingency reserve.

Encrgy: The external financing limits of the electricity supply industry in England and Wales and in Scotland for 1982-1983 announced on December 2 1981 will be raised by about £100m, to accommodate special arrangements to benefit large industrial users of electricity in addition to the arrangements on electricity prices annouoced in the 1981 budget statement. The increase will add to public expenditure in 1982-83.

The EFL of the National Coal Board for 1982-83 will be increased to accommodate the renewal of the measures first announced in June 1981 to avoid further increases in foundry coke prices until the winter. The expenditure will be charged to tbe contingency reserve.

Industrial gas prices, for contract supplies above a certain level, will be frozen at their April 1 level for the remainder of 1982. Tbe cost to the British Gas Corporation is forecast at about £80m in 1982-83.

To offset both this cost, and the cost of action on industrial gas prices announced in the 1981 Budget, the gas levy is to be reduced (subject to parliamentary approval). To take account of the net effect of these measures, BGC's EFL for 1982-83 will be reduced by £73m. This reduees public expenditure and offsets part of the reduction in gas levy receipts, so that the net addition to the PSBR remains abont £60m.

Contingency reserve: The contingency reserve for 1982-83 will rise from £2.25bn to £2.4bn, to accommodate the above measures.

National insurance surcharge: The national insurance surcharge will be reduced, which will rednce public sector costs directly. The Government will accordingly reduce the 1982-83 central government casb limits, rate support grants for local authorities and external financing limits of the nationalised industries.

Estimated out-turn in 1981-82: The Financial Statement and Budget Report (FSBR) contains a lower estimate of out-turn against the planning total in 1981-82 (£105.25bn) than the White Paper: only £500m bigher than planned a year ago.

Armed Forces: Regular units are now fully manned and the strength of the Territorial Army has increased by more than 10,000 since May 1979.

Young Workers: Expenditure plans provide for the number of people in the Young Worker Scheme to reach 130,000 by the end of 1982-83. This new employment measure, introdnced in January 1982, was designed to encourage employers to take on more young people at wage rates which reflect their lack of training and relative inexperience.

Yonth Training: In September 1983 a new youth training scheme will replace the Youth Opportunities Programme. Meanwhile this programme is being expanded.

Hospitals: Over the period 1978-80 the number of bospital acute in-patients treated rose from 4,204,000 to 4,376,000, of geriatric cases from 241,000 to 268,000 and of obstetric cases from 731,000 to 818,000. The average number of patients of each general practitioner was reduced from 2,310 to 2,250.

Education: The overall pupil-teacher ratio is expected to remain at much the same level over the period 1980-81 (when lt was 18.6:1) to 1984-85.

Further education: In non-advanced further education numbers of students on full-time courses (particularly 16-19 year olds) are expected to increase from 482,000 to 505,000 between 1980-81 and 1984-85. The contraction of higher education will lead to some fall in tha number of students admitted after 1981-82.

Energy conservation: Measures in government offices should achieve a 12 per cent saving ln 1978-79 fuel consumption by tha end of 1981-82.

Changes in the plan

Summary of differences from the Government's Expeoditure Plans 1981-82 to 1983-84 in March 1981 by programma £ million cash

	1979-80 outturn	1980-81 outturn	1981-82 estimated onttum	1982-83 plans	1983-84 plans
Defence	—	−158	+363	+479	+420
Overseas aid and other overseas services:					
Overseas aid	+ 1	+ 21	− 16	− 10	—
Net payments to EC institutions	—	—	−415	− 1	+ 50
Other overseas services	—	− 15	− 12	− 5	—
Agriculture, fisheries, food and forestry	+ 5	− 9	+203	+105	+ 70
Industry, energy, trade and employmeot	—	+165	+351	+1,500	+1,180
Transport	+ 17	+127	+230	+258	+190
Housing	+ 58	+ 44	−315	+260	+ 40
Other environmental services	+ 61	+ 38	− 15	+107	+ 40
Law, order and protective services	—	− 46	+ 58	+ 83	+120
Education and science, arts and libararies	—	+156	+584	+582	+470
Health and personal social services	+ 3	− 58	+328	+233	+160
Social security	—	− 49	+575	+874	+780
Other public services	—	+ 4	− 21	− 17	+ 70
Common services	+ 1	−103	+116	+ 24	+ 30
Scotland	+ 21	+113	+ 16	+142	+110
Wales	− 77	− 87	+ 26	+ 76	+ 60
Nortbero Ireland	—	− 10	+ 52	+120	+150
Government lending to nationalised industries	—	+106	−143	+460	+1,500
Adjustments:					
Nationalised industries' net overseas and market borrowing	—	− 81	+524	− 26	+400
Special sales of assets	− 1	+ 6	+180	−421	−410
Contingency reserve	—	—	−1,700*	−600	+950
General allowance for shortfall	—	—	+700	+713	+760
Planning total	+ 89	+162	+1,673†	+4,934	+7,130
Debt interest—gross	+146	−191	+700	+400	—
net	−120	−513	+100	−200	−300
Nationalised induusiries' total net borrowing	—	+ 25	+382	+433	+1,900

* The contingnncy reserve for 1981-82, converted into cash, was £2,000m, but it was increased in the March 1981 Audget to £2,500m. Of that £1,306m has been allocated and is thersiore absorbed in the esiimated onttum for the programmce concerned. Another £300m is expected to bn allocated similarly by the end of the year. The remaining £894m is expected not to be spent.

† Including the increases totalling £215m announced by the Chancellor of the Exchequer in his Andger Statement on March 10 1981.

Revision of totals

Planning totals, £ billion cash

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
January 1979 White Paper (Cmnd 7439)*	80	97	110	120	—	—
March 1981 White Paper (Cmnd 8175)*	77.1	93.3	104.8†	110.2	113.9	—
Estimated outturns/plans in present White Paper	77.2	93.5	106.1	115.2	121.1	128.4
Changes announced in Budget and FSBR	—	—	−0.9	−0.3	−0.7	−9.7
Resulting estimated outturns/plans‡	—	—	105.2	114.9	120.4	127.6

* Converted into cash using the inflation assumptions explained in Part 5 of the White Paper.

† Including increases announced in the Budget Statement on March 10 1981.

‡ Totals do not always add, due to rounding.

Public expenditure 1976-77 to 1984-85

£m cash

	1976-77 outturn	1977-78 outturn	1978-79 outturn	1979-80 outturn	1980-81 outturn	1981-82 estimated outturn	1982-83 plans	1983-84 plans	1984-85 plans
Public expenditure programmes									
1 Central government (including Government finance for nationalised industries)	86,498	39,497	46,471	55,715	67,701	77,819	84,127	117,630	123,340
2 Local authorities	15,812	16,305	17,993	21,583	25,109	26,471	28,036		
3 Certain public corporations' capital expenditure	1,070	986	1,013	1,223	1,469	1,387	1,517		
Adjustments									
4 Nationalised industries' net overseas and market borrowing*	1,269	923	458	−321	−448	202	−180	50	−370
5 Special sales of assets (net)		−548		−999	−356	−50	−600	−600	−600
6 Contingency reserve						300†	2,250	4,000	6,000
7 Planning total	54,649	57,162	65,934	77,201	93,475	106,130	115,150	121,070	128,370
8 Percentage change on previous year		+4.6	+15.3	+17.1	+21.1	+13.5	+8.5	+5.1	+6.0
Memorandum Items									
A Debt interest—net	1,423	1,842	2,384	3,714	4,634	6,200	6,500	7,000	7,500
—gross (not included above)	6,429	7,222	8,351	10,585	12,609	14,400	15,500	16,000	16,500
B Nationalised industries' total net borrowing (included in lines 1 and 4)	1,552	706	1,139	1,526	1,810	2,000	913	1,280	760

* Including other public corporations accorded similar treatment. † Amounts shown is expected to be fully spent by the end of the year.

Total public expenditure by programme

£m cash

	1976-77 outturn	1977-78 outturn	1978-79 outturn	1979-80 outturn	1980-81 outturn	1981-82 estimated outturn	1982-83 plans	1983-84 plans	1984-85 plans
Defence	6,183	6,820	7,495	9,226	11,178	12,634	14,103	15,300	16,440
Overseas aid and other overseas services:									
Overseas aid	503	602	723	802	919	989	973	1,040	1,110
Net payments to EC institutions	220	555	731	851	288	45	500	580	600
Other overseas services	316	427	378	454	508	613	666	700	740
Agriculture, fisheries, food and forestry	995	884	830	1,038	1,384	1,557	1,534	1,490	1,500
Industry, energy, trade and employment	3,093	2,248	3,048	2,892	4,190	5,602	5,845	4,860	5,030
Transport	2,349	2,273	2,452	2,972	3,487	3,922	4,160	4,340	4,490
Housing	3,805	3,569	3,716	4,699	4,675	3,320	3,480	2,760	2,860
Other environmental aervices	2,051	2,157	2,448	2,873	3,377	3,471	3,747	3,870	4,030
Law, order and protective services	1,678	1,798	2,041	2,586	3,180	3,747	4,108	4,450	4,700
Education and science, arts and libraries	6,982	7,338	8,094	9,350	11,376	12,362	12,754	13,110	13,410
Health and personal social services	5,937	6,540	7,425	8,899	11,366	12,764	13,633	14,480	15,250
Social security	11,603	13,905	16,425	19,400	23,440	28,618	32,030	33,500	35,400
Other public services	735	761	821	969	1,213	1,333	1,370	1,520	1,610
Common services	708	770	857	1,013	1,103	1,599	1,633	1,800	1,930
Scotland	3,060	3,234	3,679	4,423	5,292	6,722	6,062	6,270	6,490
Wales	1,248	1,311	1,488	1,769	2,124	2,288	2,423	2,500	2,610
Northern Ireland	1,627	1,814	2,134	2,449	2,902	3,276	3,546	3,780	3,990
Government lending to nationalised industries	284	−218	693	1,857	2,276	1,816	1,114	1,260	1,140
Adjustments									
Nationalised industries' net overseas and market borrowing*	1,269	923	458	−321	−448	202	−180	50	−370
Special sales of assets		−548		−999	−356	−50	−600	−600	−600
Contingency reserve						300	2,250	4,000	6,000
Planning total	54,649	57,162	65,934	77,201	93,475	106,130	115,150	121,070	128,370

* Including other public corporations accorded similar treatment.

Scheme to encourage enterprise

Measures will provide aid for small businesses

AFTER the Chancellor spoke, the Treasury issued the followiog statement: In his Budget statement today, the Cbanrellor announced a series of measures designed particularly to help small businesses and to encourage enterprise and risk-taking.

Each of the Cbancellor's Budgets have contained such measures and a number of those announced today provide improvements to existing schemes and arrangements, including the Business Start-Up Scheme and profit-sharing and share-option arrangements. There are, in addition, new tax arrangements for purchase of own shares by unquoted companies and for businesses' contributions to local enterprise agencies.

This Press notice describes the main features of these enterprise proposals, which will have a revenue cost of £28m in 1982-83, and about £80m in a full year. The changes in capital taxation announced in the Budget and the reduction in national insurance surcharge will also be of value to small firms, as will the changes in the industrial buildings allowance and small workshops scheme.

The details of the changes in capital taxation and in the industrial buildings allowance and small worksbop scheme are described in separate Inland Revenue Press notices.

Business Start-Up Scheme

In the 1981 Finance Act, a new income tax relief was introduced for investment by "outsider" individuals in Ordinary shares issued in certain companies starting new trades. Where the conditions are satisfied, relief is available on up to £10,000 subscribed for shares issued in each of 1981-82, 1982-1983 and 1983-84. The limit for 1982-83 and 1983-84 will now be increased from £10,000 to £20,000.

Purchase of own shares:

The Companies Act 1981 gave power for limited companies to purchase their own shares and contained provisions governing the issue of redeemable shares. Provisions are being made to ease the tax charge in certain cases where an *unquoted* trading company buys back shares and the transaction is for the benefit of the trade and is not tantamount to a dividend or distribution of surplus profits.

The new relief will apply broadly where a UK shareholder sells his sbares back to (or has them redeemed by) an unquoted trading company and disposes of all or a substantial part of his interest in the company. In these cases, any distribution included in the purchase or redemption price will no longer be treated as such for tax purposes; that is, it will not be subject to Advance Corporation Tax and Schedule F income tax.

Instead tbe transaction will be treated as a sale by the shareholder, and therefore usually subject to treatment under the Capital Gains Tax rules in his bands.

The proposal is designed to assist a number of small and family companies. In particular, by enabling the company to buy back shares without a crippling tax charge it will make it significantly more attractive for an investor to subscribe for, and a proprietor to accept, new equity capital in an unquoted company of the kind for which there is often now no ready market.

Profits-sharing and sbare option schemes

The Budget contains three tax measures in the employee share field.

First, certain tax reliefs are at present available where an employee is given shares in bis company under a profit sharing scheme approved by tbe Inland Revenue. The maximum annual value of shares that can be set aside for an employee under such a scheme is now being raised, from £1,000 to £1,250.

Second, a measure is being introduced to help reduce the administrative work which trustees of approved profit-sharing schemes can face when the company concerned has a rights issue.

Third, a new relief is being introduced for share options. Tax exemption is already available for share options exercised by employees under an approved scheme, following legislation introduced by the Government in 1980. But where an employee or director exercises a share option outside an approved scheme an income tax charge can arise. Under the Budget proposal, it will be possible for this tax to be paid by instalments over a period of three years.

Interest Relief: money borrowed to invest in a close company

An individual borrowing money to invest in a close company must at present own more than a per cent of the ordinary share capital before he can obtain tax relief for the interest on his loan.

From today there will be an *alternative test*. If the borrower cannot meet the shareholding requirement he will be able to qualify for relief on interest paid after Budget Day if he is a shareholder and has worked for the greater part of his time in the management or conduct of the business. The existing shareholding condition will continue to apply in those cases where the new "management" test is not satisfied.

Loan Guarantee Scheme

Since the Loan Guarantee Scheme was introduced in June last year the demand for loans has exceeded expectations. Over 2,700 loans worth just under £100m have been approved since June 1981. The sum available for loans in the first year was doubled from £50m to £100m last October.

The Chancellor announced today that the ceiling for lending under the scheme in the year to May 1982 will be raised by a further £50m to £150m. Moreover a further £150m will be made available for the following year.

Profits limits for "small companies" rate of Corporation Tax

Where its profits are below a certain limit a company pays corporation tax on its income at a specially reduced rate, 40 per cent. Where a company's profits are between this lower limit and a higher limit, it pays corporation tax on its income at an average rate which gradually increases to the full rate, 52 per cent. These limits are being increased, from £80,000 to £90,000; and from £200,000 to £225,000. The lower limit is now 80 per cent higher than when the Government took office and the upper limit more than 150 per cent higher.

Tax relief for pre-trading expenditure

Under Section 39 of the 1980 Finance Act certain expenditure (such as that on wages and rent and rates) qualifies for tax relief if incurred by a business not more than one year prior to the commencement of trading.

The relief applies to professions and vocations as well as trades. Expenditure incurred on or after April 1 1980 is eligible for relief. The qualifying period for relief on pre-trading expenditure is now to be extended to three years. The full benefit of the extended period will be available to businesses starting up on or after April 1 1983.

Contribntions to enterprise agencies

The Chancellor proposes to allow companies and unincorporated businesses tax relief on the contributions they make to certain enterprise agencies. Relief will be given by treating the contribution as a deduction in assessing the taxable profits of the business. Only contributions to approved enterprise agencies will qualify for relief.

To be approved an agency must have as one of its principal objectives the promotion or encouragement of business enterprise, including in particular the encouragement of small businesses, and will have to satisfy certain other conditions.

Where an agency has wider objectives, approval may be extended to a separate fund with the specific objective of encouraging business enterprise. Approval will be granted by the Department of Industry. The relief will run for a 10-year period and contributions made after March 31, 1982 will qualify.

VAT Registration chaoges

The VAT registration and deregistratioo limits will be increased to £17,000 and £16,000 respectively, the maximum allowable under our European Community obligations. This is the third successive Budget in which the registration and deregistration limits have been increased and the increase will provide about 65,000 traders with the opportunity to deregister. In addition the relief from VAT on services supplied before registration which was granted last year to incorporated bodies, will now be made available to all traders.

Additional retirement annuity relief for the older contributor

Retirement Annuity Relief is available to the self-employed and to those in non-pensionable employment to enable them to make provision for their retirement. In the normal case relief is limited to 17½ per cent of the net earnings of the trade or profession, etc, but older contributors are entitled to bigher rates of relief. The existing rates of relief and tbe increase for older contributors which are proposed are:

*No relief will be available for those born before 1907 because annuities must commence at the latest when the contributor reaches 75 years of age.

Under tbe law as it stands at present the older contributor is not entitled to these higher rates of relief if he has a pension, or pension rights, under a pension scheme relating to previous full-time employment (Section 283(5)) of the Taxes Act). This restriction is to be removed.

Construction Industry tax deduction scheme

Measures will be brought forward to enable school-leavers to obtain certificates under the construction industry tax deduction scheme (714 certificates). These certificates are commonly used in the industry and enabe sub-contractors holding them to be paid without deduction of tax.

At present, to qualify for a certificate a person must have three years' good record as a taxpayer. This is obviously not possible for a school-leaver. The proposed change will enable school-leavers to obtain a special certificate under the scheme. It is also proposed to introduce arrangements under which others could obtain this certificate by providing a guarantee.

Construction industry changes

More money for home grants

THE INLAND REVENUE announced tbe following measures affecting the construction industry following the Cbancellor's speech:

Home improvement and insulation

The value of grants for major repairs and for provision of basic amenities is to be raised from 75 per cent in most cases to 90 per cent of eligible cost. The increased rate applies only to applications received before the end of 1982. The aim is to use existing spare capacity in the industry and to tackle some of the most severe shortcomings in the existing housing stock.

More money will be made available to belp people get grants towards the cost of insulating their homes. The size of the grants and the standard of insulation will also be improved.

A total of £100m (UK figure) will be added to local authorities' capital spending allocations to pay for these cbanges and to encourage tbem to make more general improvement grants available. The Exchequer contribution to local authority expenditure on repair grants will be increased from 90 per cent to 95 per cent in 1982-83.

Urban Programme and derelict land grants

Up to £70m of the money available in 1983-84 will be earmarked for joint development projects between the public and private sectors. Tbe provision will be allocated on the basis of special bids from local authorities aod priority will be given to schemes offering the greatest degree of participation by the private sector. This follows up arrangements already announced for 1982-83 and reflects the Government's view that the successful regeneration of the inner cities requires the active Involvemeot of the private sector.

The rate of grant payable to non-local authority bodies, including nationalised industries, for land reclamation in Assisted Areas and Derelict Land Clearance Areas is to be increased from 50 per cent to 80 per cent. Appropriate legislation will be brought forward and the resources will be found from withlo the existing programme.

Private Rented Accommodation

Section 56 of the Housing Act 1980 introduced the assured teoancies scheme under which landlords approved by the Secretary of State for the Environment can let at agreed rents to tenants occupyiog newly-built properties not previousy occupied as a residence. Tenants have security of tenure.

Capital allowances are now being introduced for property built and used wholly for letting under the scbeme. An allowance is 75 per cent for the first year and will be given for the year in which expenditure is incurred. There will be no relief for the remaining 25 per cent. Allowances will be available in respect of expenditure after today during an experimental fiva year period. The cost of th echange will depend on the amount of new construction under the scheme.

Industrial Buildings Allowance and Small Industrial Workshop Scbeme

The scope of the Industrial buildings allowance is being widened to include buildings used for certain servicing, repairing and warehousing purposes.

The change will also apply to the small industrial workshop scheme under which 100 per cent first year allowances are available on industrial buildings up to 2,500 sq ft.

The Small Workshop Scheme is being extended for a further two years—until March 1985—in respect of premises not exceeding 1,250 sq ft. There is an identifiable shortage of such premises. The cost of these measures will be about £6m in 1983-84.

VAT—The implementation of a recent legal judgment of the House of Lords would result in the application of VAT to a range of non-structural building alterations. Action is being taken to make it possible to continue to zero-rate the most commonly recognised kinds of double glazing, loft and cavity wall insulation and damp-proof coursing. The cost to the revenue will be about £70m a year.

Stamp Duty—The exemption and reduced rate thresholds for stamp duty on transfers of property other than stocks and shares are to be raised by £5,000

INCOME TAX

Increasing burden on personal taxpayers

THE CHANCELLOR appeared to be giving away something to personal taxpayers in yesterday's Budget. But in real terms he is still increasing the burden of taxation and social security contributions.

In fact, the real income of the lower paid has been eroded to the level it stood at in April 1978. The higher paid fare a little better but their real income is still falling. The increase in incomes generally by less than the rate of inflation, coupled with the increased percentage rate of social security contributions (up from 7.75 per cent to 8.75 per cent from April 6 1982), combine to squeeze the taxpayer even further into the poverty trap.

Pensioners, too, are suffering from an erosion of their real income. The increase in the rates of pension, effective in November, are not enough to preserve their real value because the increases are received almost a year after the inflation on which they are calculated.

The Chancellor presented his income-tax measures as though he was giving back more than inflation required. Allowances have been increased by 14 per cent and inflation for 1981 was estimated at 12 per cent. But if the Chancellor had restored allowances to what they would have been if they had been indexed in 1981 he would have had to increase them by 31 per cent.

The Single Personal Allowance has been increased by £190 to £1,565, the Married Personal Allowance by £300 to £2,445 and Age Allowances by equivalent amounts. The bands on which the basic and higher rates of income tax are charged have also been increased by 14 per cent and are now:

Basic rate: 1-12,800 at 30 per cent.

Higher rates: 12,801-15,100 at 40 per cent; 15,101-19,100 at 45 per cent; 19,101-25,300 at 50 per cent; 25,301-31,500 at 55 per cent; Over 31,500 at 60 per cent.

For those under PAYE, these changes will be implemented on the first pay day after April 26, which is considerably earlier than in previous years. For monthly paid employees the reduced income tax will be enjoyed in the same month in which the increased security contributions become payable.

The table illustrates the relative changes in real disposable income at four representative income levels since 1978. The calculation at each level of gross income assume that a married man with two young children achieves those mnoey earnings, and that he has enjoyed pay increases roughly in line with average earnings. We have therefore assumed a 10 per cent increase in average earnings for the current year.

Income tax and social security contributions have been deducted from those earnings and child benefit has been added. The resulting spendable income has then been compared with the level of real spending power which he would have enjoyed taking April 1978=100 and adjusting subsequent years figures in line with the Retail Price Index.

The interesting story related by the table is that it is still the lower earning levels which have benefited least—or put another way, have suffered most from the Chancellor's attentions.

In particular, the middle manager earning £10,000 a year is not keeping pace with his higher-earning superiors. Readers with long memories will recall in the heady days of Mr Anthony Barber's Chancellorship a combination of inflationary salary increases and enlarging the basic and higher rate bands preserved the relative position of taxpayers on appreciably more than average earnings. This is no longer so.

The assault on the private finances of the lower and middle range executive has not been confined to limiting his real disposable income. Such executives are commonly those for whom the perks supplied by their employers are most valuable. The company car, most typical of all perks, not only provides a status symbol to the ambitious executive but more usefully relieves him of the need to allocate a substantial sum of his personal capital on the provision of a car. There must be many executives whose company car was the first new car they had ever owned, such is the initial capital cost.

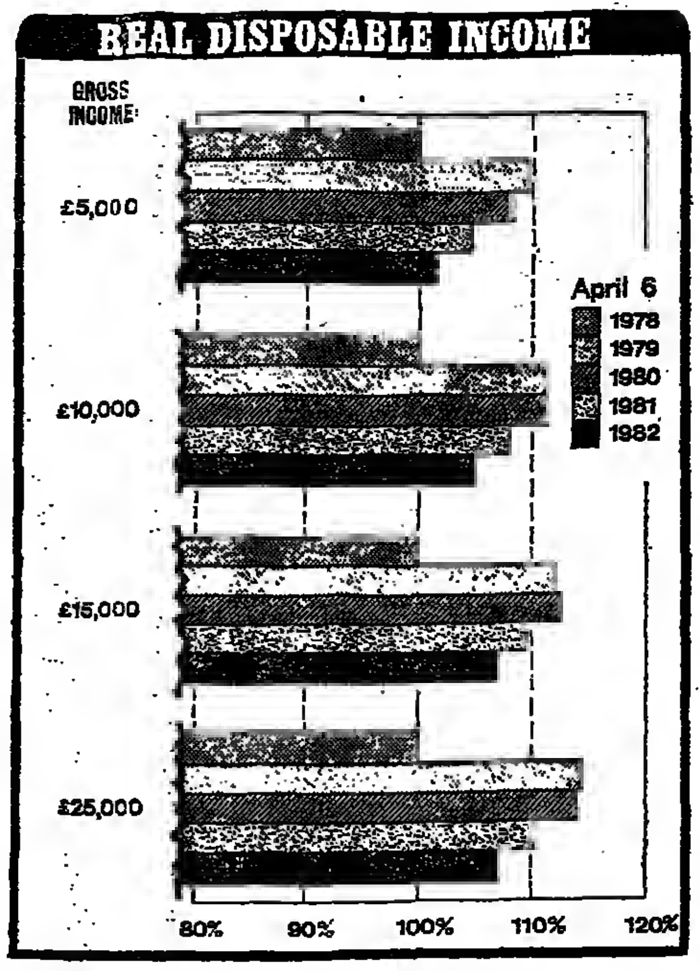
Little by little the Chancellor is nibbling away not only at the car but at other perks available to middle management. Subscriptions to private health schemes, cheap loans whether for season tickets or any other purpose, incentive schemes, as well as the company car have all been brought within the income tax net.

The philosophy of the attack on perks has been set out many times by government spokesmen: better to pay an increased salary than prolong inequity by offering perks to some and not to others. This simple philosophy overlooks the economic restraints on incomes felt in the last two years.

So our middle manager, and even more so his lower paid colleague, will still be struggling to regain lost ground. He may try to maintain or improve his living standards by changing his job or sending his wife out to work. One other way in which he can increase his real income is by resorting to the black economy. It is doubtful whether the Chancellor intended that as a result of this year's Budget.

John Underhill

REAL DISPOSABLE INCOME



Community work for long-term jobless

THE RAPIDLY rising numbers of workers who have been out of work for long periods, and who look like continuing to be so, have impelled the Government to introduce a new scheme to bring them some relief.

Sir Richard O'Brien, the outgoing chairman of the Manpower Services Commission, has made it his unpopular business to draw the problem again and again to the Government's attention. Most recently, at an appearance before the Commons select committee on employment last month, Sir Richard said that the long-term unemployed represented the largest problem in the jobs market.

The MSC has estimated the figures will grow from their total last month of 905,000 to over 1m this year, and possibly considerably beyond. The figure has risen by a startling 120,000 in the past three months.

Sir Richard and his MSC colleagues had pressed for an extension of the Community Enterprise Programme (CEP), which attracts sufficient funding for only 30,000 places but is regarded as working well for those it can reach. The Government refused.

However, the measure announced by the Chancellor yesterday is somewhat similar—with the key difference that the work provided will be at lower rates of pay than those generally enjoyed on the CEP.

Thus the Government has both intervened to assist the worst-hit in the dole queues, and done so in a way which pursues its often-stated aim to "price workers into jobs" — though since the wages paid will be wholly state-funded, the wage levels may be seen as setting a trend which may be picked up elsewhere in the jobs market.

The plan, which Mr Norman Tebbit, the Employment Secretary, has already asked the MSC to get on the stocks by the summer, is essentially a means of applying idle labour to bright ideas for future projects which, without that labour provided free to the project organisers, would remain only ideas.

It will be based on schemes for community work put up by sponsors, such as the Churches (who are said to be very keen), voluntary organisations and local authorities. Private business is not excluded, but the projects must be non-profit-making.

The plan is voluntary, and while particularly aimed at long term unemployment, need not exclude others.

The cost is as yet imponderable: Sir Geoffrey said that if there were 100,000 places created, the cost would be £150m: the Government will meet such a cost, and more if demand can be shown to exist.

That level of expenditure for that number of jobs presumes an expenditure per job of £1,500 a year, or just under £30 a week. Deducting around half for overheads and national insurance contributions, that leaves the new community worker with some £15—over and above his unemployment or supplementary benefit.

Thus, for example, a single worker receiving the adult unemployment rate of £22.50 would (before counting other benefits) receive around £37 for his week's work. A young worker on the supplementary benefit rate of £16.50 would receive a little over £30.

What sort of work would they do? The Government is anxious to avoid the charge that they would be undercutting local government and other workers, especially those in the construction industry, and is therefore vague about the subject. However, the renovation of churches and buildings belonging to voluntary bodies might qualify, as might assistance to the elderly, hospital patients and working mothers.

The scheme would be co-ordinated by the MSC, which must by now be the Government's most overworked agency and will need all the energy of its director-to-be, Mr David Young. Organisations would put up projects to the MSC, which would then disburse the funds to those of which it approved.

It will, however, be difficult to avoid job substitution, or at least the suspicion of it from unions. The diversity of organisations which will be encouraged to take part in the scheme will mean that it will be difficult to police: however good the intentions, there are likely to be examples of union wage rates being undercut, and thus another focus for trade union hostility towards the Government.

The ideas which have combined in the plan are recent and diverse. The most obvious source is the proposals drawn up last year by Mr Enrico Colombatto and Dr Ralf Dahrendorf at the London School of Economics, which were echoed by Mr Michael Meacher on the left of the Labour Party and by the Reverend Nicholas Stacey, director of Kent Social Services and director of the Youth Call organisation.

The Colombatto plan saw mainly young people being put to work on community schemes: however, it proposed a very low payment, of some £550 a year, to young workers in residential homes, and also called for the plan to be compulsory. Mrs Thatcher was an early enthusiast, but also believed from the beginning that the scheme should be voluntary. It appears her enthusiasm has borne fruit.

John Lloyd

VEHICLE TAXES

Increase in commercial vehicle duty unexpected

THE UNEXPECTED element in the Budget as far as the transport industry was concerned was the Chancellor's decision to bring the vehicle excise duty levels on light commercial vehicles into line with that on cars, up to £80 a year from last night.

This will be done in two stages, the second on October 1, and will affect commercial vehicles of up to 30 cwts unladen—which includes all car-derived vans and purpose-built vans like the Ford Transit which operate at loaded weights to 3.5 tonnes.

According to the Department of Transport the change will involve a reduction in duty for about 500,000 of these vehicles.

The Department reckoned the new structure would resolve a growing licensing problem for those motorists who occasionally use estate cars and hatchbacks to carry goods or equipment in the course of their trades or professions, and who have been uncertain whether to pay duty at the private or the goods rate.

The other changes—including the lifting of excise duty on cars by £10 to £80 a year—were fairly predictable.

Duty levels on most other groups of vehicles will be increased by about 12 per cent.

However, apart from light commercials, heavy trucks are to get special treatment. Excise duty levels on trucks over nine tons unladen weight (equivalent to 30 to 32 tons gross) will go up by about 25 per cent.

The Chancellor also made the expected announcement that in the Finance Bill he intended to provide for the restructuring of vehicle excise duty on heavy trucks from an unladen to a gross weight basis, and taking account of the number of axles. More than 250,000 vehicles of over 12 tons will be particularly affected by this change to be implemented on October 1.

The switch was forecast in the 1981 Transport Act and Mr David Howell, Transport Secretary, reiterated last night the proposed restructuring was "the most important reform of VED for over 30 years.

"Our policy is that all groups of lorry should at least meet their fair share of road costs. The change to taxing heavy lorries on their gross weight will mean that we can achieve a much closer match between the roads costs of different types of lorries and taxation levels."

The Freight Transport Association estimated last night that the Chancellor's measures would add about 11 per cent, or £150m, to industry's distribution bill.

"We are disappointed that transport is the only sector of industry to have to bear increased costs," a spokesman added.

The British Road Federation believes the £10 addition to car excise duty will raise £155m for the Treasury and that road users in all will contribute around £900m more when petrol and derv increases are taken into account.

"In the past six years road spending has fallen by one third while taxes on road users have doubled under this Government to about £9.3bn."

And according to the Automobile Association, after the Budget vehicle taxation will exceed road expenditure by a ratio of four to one from 3.5 to one previously.

Kenneth Gooding

Thatcher visit to Gateshead

THE PRIME MINISTER is to visit Tyne and Wear on Friday to inaugurate and tour a new, highly-mechanised facility for the manufacture of nuclear-power plant at NEI Power Engineering, Gateshead, and to launch United Effort, one of four cargo vessels being built for Sir Yue-Kong Pao at Austin and Pickersgill, Sunderland.

TAX AVOIDANCE

The closing of fine loopholes

"FISCAL justice is not only a question of protecting disadvantaged taxpayers, but also protecting the interests of the Inland Revenue — there comes a time at which forbearance ceases to be a virtue." It was with these words that the Chancellor announced yesterday five measures — none of them totally unexpected.

- The rate of capital allowances for assets leased abroad is to be reduced from 25 per cent to 10 per cent.

The Treasury, Bank of England, and Revenue have all made clear in recent months their disquiet over "double dip" leasing, where assets which may not have originated in the UK are leased abroad in such a way as to qualify for tax allowances both here and in the recipient country.

- Films, which have until now qualified for 100 per cent tax allowances will in future be depreciated over the productive life of the film concerned. Sir Geoffrey stated that he was aware of a number of actively marketed arrangements for individuals and companies wishing to shelter taxable income, and that these arrangements often had little to do with the making of British films. However, because he needed to avoid doing serious damage to the British film industry, which was showing encouraging signs of growth, he proposes a two year transitional period before his new plan becomes fully effective for films registered under the EDI scheme.
- Ships chartered to foreign companies are in future, like other assets leased abroad, only to receive 10 per cent capital allowances. Once again the Chancellor made it clear that he was aware of arrangements under which foreign-built ships were chartered to foreign operators, the only connection with this country being a specially created UK company acquiring ownership in order to benefit from UK capital allowances. He accepted that there would be difficulty in defining in legislation the target at which he was aiming, without penalising the UK shipping industry—and indicated that he would immediately start consultations with those involved in order to ensure that his legislation achieves its objectives.
- "Section 233 loans" which Sir Geoffrey proposes to outlaw appear to have been the brainchild of a former Deputy Chairman of the Inland Revenue, Mr Alan Lord, now managing director of Dunlop. When the CBI suggested, at his instance, that the law needed to be changed to accommodate the concept, the Revenue's response was that companies which wished to borrow in this way could achieve it without a change of law: the borrower pays interest at a rate which fluctuates (to some infinitesimal extent) with his profits, which turns the interest concerned into a "dividend." If he had paid £100 of normal interest, a corporate lender would have had £48 left after tax. The lender could achieve that same net figure if the borrower paid him a dividend of £48—and the borrower's total outgoing became £71 (£48 dividend and advance corporation tax of £23) instead of £100.

machine 44 —— 8 on 8½ ——

Admittedly the borrower got no deduction against taxable income, but if he had no income he could hardly mind. It sounds like a cash boost for borrowers similar to that recommended by the Grylls Committee. But the Chancellor has apparently been angered by companies depositing cash surpluses with their bankers, then borrowing them back on a Section 233 basis, and sheltering the taxable income thus generated by leasing. What might be called running rings round the Revenue.

- It was as long ago as November 6, 1975 that Mr Edmund Dell, the then Paymaster General, announced a review of the tax credit relief available to banks. It is, however, only in the last two years that urgency has been imparted to this by the volume of petro-dollars being recycled through London to less developed nations.

Two problems emerged: where recipient countries charged a high withholding tax on interest, London banks found that that tax could, under existing arrangements, effectively reduce UK liabilities on their domestic income—the rules which the Revenue thought should have restricted the set-off to tax only on foreign income did not work that way.

But that was as nothing to the Revenue's distress where the recipient country had negotiated a double tax treaty with the UK containing a "tax sparing" clause. Where the overseas country had exempted certain income under its own tax incentive arrangements the UK Government agreed not to tax the income concerned if it were received here. This was achieved by giving the London bank a credit for overseas tax which had never actually been paid — and again, that credit could reduce UK liability on domestic income. Banks were able in some cases to lend at less than their cost of funds, the loss being turned into a profit by this licence to dip into the Revenue's pocket.

The Chancellor had one final fling at fiscal justice: he has accepted that the draft clauses published at the beginning of this year dealing with the questions of residence of companies, and tax havens, are causing considerable anxiety to businesses whose genuine operations he had not been intending to attack. The clauses we have seen are not to be included in the Finance Bill — he will send his men back to the drawing board to have another go, and another set of clauses will be produced later this year.

John Underhill

SOCIAL SECURITY

The Government keeps its obligations

EACH YEAR, the Chancellor announces the forthcoming rises in old age pensions and other social security benefits as if he were being especially generous to the old and the needy. In reality, the Government is doing nothing more than fulfilling its legal and moral obligations.

Various Social Security Acts impose an obligation on Government to increase pensions at least once a year to maintain their value; with the increase being at least in line with the rise in prices.

The legislation does not specify which measure of prices to use, but the pattern has been established that the Chancellor uses the Treasury forecast of the 12-month price rise to the following November — the month when the upratings come into force.

Last year the Treasury was over-optimistic in its forecast of inflation, projecting a 10 per cent rise which in reality turned out to be 12 per cent.

The Government is under no legal obligation to make up a previous year's shortfall—that has been tested in the courts. But it is under a strong moral obligation—and Sir Geoffrey Howe had already announced that the two point shortfall would be made good this time. Indeed, he could hardly do otherwise, since in November 1981 he clawed back a one point overestimate in 1980.

So pensions go up in November by 11 per cent — 9 per cent for the expected 12-month price rise to November and 2 per cent for last year's shortfall. Thus, the basic retirement pension for a single person improved by £3.25 a week to £32.85, and by £5.20 to £52.55 for a married couple.

But Sir Geoffrey had also stated that the Government would not make up the shortfall for unemployment and other short-term benefits — a decision that aroused considerable fury.

Now he has done a volte face and given way to pressure. Unemployment benefits get the full 11 per cent rise, the single person's weekly rate increasing by £2.50 to £25 and by £4.05 to £40.45 for a married couple.

Though the weekly mobility allowance rise of £1.80 to £18.30 represents only an 11 per cent increase, Sir Geoffrey has done more for the disabled by freeing such payments from the tax net.

However, he has not been so generous on child benefit payments where the weekly increase of 60p to £5.85 represents an 11.4 per cent increase and falls far short of the minimum £1 improvement called for by various pressure groups. But he has heeded the plight of the one parent families by increasing the additional payment for the first child by 65p to £3.65 —a 20 per cent rise.

The Chancellor also announced that Civil Service and other public service pensions would get the full 11 per cent increase next November. This seems to confirm that the Government has abandoned attempts to limit the indexation of such pensions.

- The older self-employed will now be able to put a higher proportion of their earnings towards their pension following the revised limits on retirement annuity relief announced by Sir Geoffrey.

Contributions made by the self-employed into an approved pension scheme qualify for full tax relief up to the prescribed limits. But the limits in the past have meant that the self-employed, with higher earnings in their later years, cannot fully compensate for any shortfall in earlier years when earnings were low. Employed persons can qualify for a full two-thirds pension after 10 years service if the employer is prepared to pay.

The Inter Professional Working Body, representing solicitors, barristers, accountants and actuaries has been pressing the Chancellor for many years to raise the limits for the older self-employed person so that he can make up this shortfall. Its efforts have at last paid off.

Eric Short

PENSION RATES

	New £	Old £
Retirement and widows' pension—basic rates		
Single person	32.85	29.60
Married couple	52.55	47.35
Unemployment and sickness benefit		
Single person	25.00	22.50
Married couple	40.45	36.40
Child Benefit—each child	5.85	5.25
First child addition for one-parent family	3.65	3.00
Mobility Allowance (now tax free)	18.30	16.50

INNER CITIES

Problems are being taken much more seriously

A RANGE of measures, comments and hints scattered through the Chancellor's speech indicated that the Government is taking the problems of Britain's inner cities more seriously and is about to make some major moves on urban policy.

Apart from the wide range of incentives for small businesses, investment in small firms and the construction industry, the most significant item mentioned by the Chancellor concerned urban programme money for 1983-84.

Up to £70m of the money allocated for that year would be earmarked for projects which also involved private sector finance.

This is a clear signal that the Government is to announce a scheme in the early summer for linking public sector and private sector money to fund inner city developments.

This is a development of the U.S. Urban Development Action Grants scheme through which the Government injects cash only after a local project has attracted the promise of substantial private sector money. The indication that as much as £70m will be available for this scheme is much more generous than had been at first expected.

The Chancellor avoided making any direct reference to the scheme yesterday for two reasons: One is that civil servants are far behind in their work to prepare the scheme in detail. The other is that increasing Cabinet anxiety about what might happen on the anniversaries of last year's riots has encouraged the feeling that some specific inner city initiative should be held in reserve.

The announcement that private sector contributions to Enterprise Agencies should be allowable against Corporation Tax was expected and sets contributions on a par with those to Chambers of Commerce. There is still no clear information about how these contributions will be defined—it is not apparent whether, for example, direct investments in "bricks and mortar" will count as "contributions" or whether it will be tightly restricted to the few thousand pounds "membership" payments.

The extra encouragement to small businesses and workshops will be a major benefit to some of the most run down inner urban areas. The same areas will also benefit from the Chancellor's encouragement for greatly increased construction activity in local authority housing projects, which have badly underspent their allocations this year.

Robin Pauley

DRINK AND TOBACCO

'It could have been worse'

"IT COULD have been worse" was the general reaction of the tobacco and drinks industries to the Chancellor's duty increases. Both industries were expecting rises at least in line with the rate of inflation over the past year—which is what the Chancellor actually did impose—although both industries had also quite forcibly warned the Chancellor that increases of any sort were bound to hit jobs further because of the slump in sales for both drinks and cigarettes in the last 12 months.

The most significant effect of the Chancellor's 5p extra duty on cigarettes is that it will for the first time push the price of a typical packet of 20 King Size up over the £1 barrier. Before the Budget last year the average price of a packet was 77p.

Smokers, however, may not have to pay £1 a packet just yet since it is likely that the major companies will hold back from pushing the price up for a few weeks. Gallahers, in fact, announced its intention of doing this last night.

Such price stability reflects the 15 per cent slump in cigarette sales over the past year as a result of the two duty increases in the past 12 months and the manufacturers' own price hikes.

The tobacco industry is still worried that the 5p duty increase could lead to a 6 or 7 per cent further slump in sales once the rise is implemented in the shops.

Such a fall in demand could spark off a new price and promotion war among the tobacco giants as they seek to maintain their share of a shrinking market. A price war, however, would be extremely damaging to tobacco companies' margins and profits.

Apart from 5p on a packet of 20, however, the Chancellor also added about 3p on a pack of five cigars (or 10 miniatures), 8p per 25 gram packet of hand-rolling tobacco, and 6p per 25 gram pack of pipe tobacco.

The brewing industry found the budget increases expected but disappointing. Mr Derek Palmar, the Brewers' Society chairman and chairman of Bass, said he did not expect the 2p a pint increase to have any real effect on sales.

The duty on beer of average strength goes up to 14.3p a pint and Value Added Tax to 7.5p.

Gareth Griffiths

POVERTY TRAP

Crossing the threshold

THE BUDGET has made no effective difference to the problems of the poverty trap, according to organisations concerned with the problem. The poverty trap is the combination of taxes and social security eligibility which blunt the incentive for people below average earnings to work and where in many cases they are better off unemployed.

The Chancellor's decision to raise the income tax allowances and take 1.2m people out of the tax thresholds mainly affects the very low paid. These tend to be young people or secondary wage earners. The poverty trap affects mainly those earning below the national average wage, and who have dependents.

There are three measures in the Budget concerned with the poverty trap problem, although the evidence ... impact is essentially a standstill one of keeping up with inflation and not making any real difference.

The restoration of the 2 per cent cut in the value of the unemployment benefit means the rate for a single man goes up from £22.50 a week to £25 a week and for a married man to £40.40 from £36.40 a week. The rates come into effect in April when unemployment benefit will be taxed for the first time.

Second, the increase in child benefit payments from the present £5.25 to £5.85p a week brings the benefit into line with inflation. Groups such as the Low Pay Unit argue the benefit level is still too low to achieve what child benefit payments were meant to do in pumping in spending money to poor families outside the tax net.

Gareth Griffiths

SMALL BUSINESS

Extra £80m a year fails to satisfy lobby

THE CHANCELLOR gave over a good port of his speech to measures aimed at promoting small firms. The initial reaction of small business lobbyists, however, was that although there is plenty in the package to encourage new "start ups," the Government is still not doing enough to encourage existing small companies.

The total cost of the measures, which largely comprise changes to existing schemes, will be £28m in 1982-83 and about £80m in a full year.

Besides the reduction in the nationol insurance surcharge, the easing of capital taxation and the increase in personal tax allowances—all of which will help small firms—there are a number of specific measures aimed at this politically sensitive area.

The Business Start-Up Scheme. This was introduced in the 1981 Finance Act and allows income tax relief to outside investora in ordinary sharea In certain companies starting new trades. Relief is available on up to £10,000 of subscribed shares—and for 1982-83 and 1983-84 the Chancellor is proposing that this limit be increased to £20,000.

In addition, investors who have not used up their full £10,000 in 1981-82 will be able to carry forword any unused balance to 1982-83. This means that where no relief has been obtained for the current year the limit for 1982-83 becomes £30,000 in all (£20,000 plus £10,000).

The Government also intends to remove the restrictions on the amount which may be deducted in arriving at a gain for Capital Gains Tax purposes if shares on which relief has been given and not withdrawn are sold for more than their acquisition cost.

Loan Guarantee Scheme. This measure was introduced last June and provides a government guarantee on 80 per cent of an approved loan in return for a "premium" from the borrowing company representing an extra 3 percentage points on the loan. Originally £50m was earmarked for the first year, which was doubled to £100m last October. The ceiling for lending has now been raised again to £150m for the year to May 1982.

A further £150m will be made available for the following year.

Since last June, the Chancellor announced, over 2,700 loans worth just under £100m have been approved.

Small Companies Corporation Tax. The Government is raising the profits limit from £80,000 to £90,000 below which companies pay a reduced rate of corporation tax — 40 per cent. Where profits are between this lower limit and an upper limit, the company pays tax on its income at an average rate which gradually increases so that it is eventually paying the full corporation tax rate of 52 per cent.

This upper limit is also being increased from £200,000 to £225,000.

Relief for pre-trading expenditure. The qualifying period for tax relief on items such as wages, rents and rates is to be extended to three years prior to the commencement of trading. The full benefit of this extended period will be availabe to businesses starting up on or after April 1 1983.

Enterprise Agencies. The Chancellor plans to allow companies and unincorporated businesses tax relief on contributions to approved enterprise agencies, which will have to satisfy certain conditions. Approval will be granted by the Department of Industry and the relief, which will be given by deducting the contribution from taxable profits, will run for a 10-year period. Contributions made after March 31 1982 will qualify.

VAT registration. VAT registration and deregistration limits will be increased to £17,000 and £16,000 respectively, a change which the Government says will provide about 65,000 traders with the opportunity to deregister. Relief from VAT on services supplied before registration, which was granted last year to incorporated bodies, will now be made available to all traders.

Construction Industry. New measures will be introduced to enable school leavers to obtain certificates under the construction industry tax deduction scheme ("714 certificates").

Close Companies. At the moment individuals borrowing money to invest in a close company must own more than 5 per cent of the shores to obtain tax relief on the interest. In future, relief will also be granted if the borrower is a shareholder and has worked for the greater part of his time in the management or conduct of the business.

Profit sharing/share option. There are three new measures in this field, which apply to companies of all sizes. The maximum annual value of shares that can be set aside for an employee under a profit shoring scheme is being raised from £1,000 to £1,250.

The administrative work which trustees of approved profit sharing schemes face when there is a rights issue will be reduced.

Where employees or directors exercise an option to purchase shares in a share option scheme not approved under the 1980 legislation, the income tax charge which may arise can under a new proposal be paid by instalments over a period of three years.

The Chancellor has only made a modest concession to enable companies to purchase their own shares. The 1981 Companies Act allows all componies for the first time to buy in their own shares, subject to certain conditions, and this legislation is likely to come into force towards the end of next month.

However under the existing rules there are substantial tax disadvantages to such purchases. As things stand, they are treated as o distribution to shareholders—which means that the company pays advance corporation tax on the purchase cost and the money is taxed as income in the hands of shareholders.

The Chancellor is now proposing to allow that certain purchases of their own shares by unquoted trading companies — mainly small and family businesses — should be subject to capital gains tax rather than income tax. This would normally be at a lower rate, and subject to a larger measure of allowances.

The idea is to encourage people to buy shares in small companies who might otherwise be afraid of being locked into their investment. Entrepreneurs may be more willing to raise new equity if they believe they can buy it back at a later stage.

It may also contribute to efficient management by allowing dissident or bored shareholders to get their money out, and it could help family businesses to overcome problems created by Capital Transfer Tax.

Small Workshop Scheme. Investors who put money into industrial buildings where the floor space does not exceed 2,500 sq ft can offset 100 per cent of the capital cost against their tax bill in the first year.

This first year allowance is only granted, however, where the building has an industrial use. The Chancellor is now widening this to include in certain cases buildings used for servicing and repairing, warehousing and occupation under licence.

The small workshop scheme, which is due to end on March 26 1983, will be extended until March 26 1985 for industrial buildings where the floorspace does not exceed 1,250 sq ft.

Small Engineering Firms. Details of a new scheme to provide some financial support for small engineering firms investing in new equipment will be announced in due course.

Martin Dickson

NORTH SEA REVENUE

Government fails to please offshore oil companies

NORTH SEA oil companies were smarting last night. For while the Chancellor had heeded the industry's appeals for the scrapping of Supplementary Petroleum Duty, he was not tempted to make an appreciable cut in the overall rate of offshore taxation.

The Budget changes ore expected to leave the coming year's yield from oil and gas fields largely unchanged at about £6.2bn. By the 1984-85 financial year North Sea revenues should reach £8bn.

Latest calculations show that Government revenues from the North Sea in the present 1981-82 financiol year are now expected to be £6.4bn, over £500m more than was forecast this time last year. Although oil prices have fallen in dollar terms, changes in currency exchange rates have pushed up the value of crude in sterling terms.

Leading companies, represented by the UK Offshore Operators Association, had called for o revision of the tax system which would incorporate a reduction in the average Government take, reckoned to be about 85-86 per cent of net income. "We are disappointed," said Mr George Williams, the Association's director general. "Although we are pleased that Supplementary Petroleum Duty is being abolished we are sorry that taxes are being maintained at too high a level, especially when oil prices are falling."

British Petroleum, one of the leading operators, complained: "The changes appear to reduce the tax burden only very marginally. They do not significontly reduce the overall levels for the encouragement of North Sea development."

Under the proposals, Supplementary Petroleum Duty—a 20 per cent revenue tax introduced in the last spring Budget—is to be abolished at the end of the yeor. To offset this the Chancellor is raising the rate of the main offshore tax, Petroleum Revenue Tax, from the present level of 70 per cent to 75 per cent of net income (after allowances). From the middle of next yeor PRT payments will be made on a monthly basis (rather than twice a year as at present) in order to smooth the public sector cash flow.

The Chancellor said he was also proposing to make other minor changes in the tax structure, partly in response to the views put forward by the industry. Companies, for instance, have called on the Government to encourage the development of small fields and offshoots of existing commercial discoveries.

The changes, as announced yesterday, will bring down the marginal rate of tax — the amount paid at the margin on the most profitable fields—from the current rate of 90.3 per cent to 89.5 per cent. But this is still above the rate before the 1981 Budget (87.4 per cent) and well beyond the rate which existed between 1975 and 1978 (76.9 per cent).

According to London-based consultants ML Petroleum Services, companies developing new fields should be marginally better off. A hypothetical field with 350m barrels of recoverable reserves might yield an internal rate of return of 20.5 per cent ond offer a pay back period of 1.7 years under the existing tax structure. Under the proposed system the return would be 21.5 per cent and the pay-back period would drop to 1.5 years. Similar improvements could be calculated on a field of 70m barrels recoverable reserves.

But Mr Alan Thomas, an oil analyst and partner with stockbrokers Kitcat and Aitken said the impact of the changes would be "negligible." "This is not going to do anything for anyone. I am disappointed that the Chancellor has not taken the opportunity of restructuring the whole tax system even if he did not want to lose revenues."

Mr Thomas was a member of a committee set by the Institute for Fiscal Studies which called for a radical revision of the North Sea tax structure currently based on four taxes: royalties (12.5 per cent of gross revenues); Supplementary Petroleum Duty (20 per cent of gross revenues); Petroleum Revenue Tax (70 per cent of net revenues); and Corporation Tax (52 per cent of remaining net revenues). The Institute advocated one single Petroleum Profits Tax.

The industry is dismayed that the proposed changes will still leave a tax structure vulnerale to more revisions. Companies have told the Chancellor that repeated changes—seven in the past two years—have inhibited long-term investment decisions.

Ray Dafter

PUBLIC SPENDING

Treasury reveals new mood of 'realism'

THE GOVERNMENT'S public expenditure plans for 1982-83 ond the two following years published yesterdoy show the extent in cash terms which the new mood of "realism" swept through the Treasury ond Cabinet last autumn when all the figures were revised strongly upwards.

The Janaury 1979 White Paper assumed that public expenditure in 1982-83 would be £120bn. The level of wishful thinking which had overtaken Government arithmetic after the General Election loter that year resulted in this assumption being revised down to £110.2bn in last March's White Poper. The autumn rethink added £5bn to that, bringing the total to 8.5 per cent more than the expected out-turn for the current year.

The main increases in the 1982-83 plans are: £1.3bn for local authority current expenditure — although this is still likely to be an understimate of the actual figure by about another £1.5bn; £1.3bn added to nationalised industry external financing limits; nearly £1bn extra for social security payments: £0.8bn for employment services and £0.5bn for defence.

For 1983-84 public spending is expected to rise by 4.8 per cent to £120.4bn followed by a further 6 per cent rise to £127.6bn in 1984-85, all in cash terms. The White Poper is the first to express all figures, plans and comporisons on a cash basis, the old system of volume planning having been discarded.

The Treasury has used the change as an excuse to chonge the format of the White Paper and moke it easier to read and use. Public expenditure analysts of previous White Papers were unsure whot to moke of the Chancellor's comment yesterday that he was more eosily able "to find his way around" the new format.

The theory behind the change is thot departments planning their expenditure will have no alternative but to take a view of their procurement and of their wage bills and stick to it. Whether it will work in any different way to the cash limits system remains to be seen. But it is clear that if the Government is hoping it will provide an alternative discipline to that of a tough public sector pay policy, it will be sharply disappointed.

The fact that the White Poper is printed so far in advance of Budget Day means that it is usuolly ont of date the minute it is published; yesterdoy was no exception.

Changes amounting to £350m upwards are more than offset by downward changes reducing the total plan for 1982-83 by £300m to £114.9bn. The estimoted out-turn for the current year has been revised downwards by £900m since the paper went to press, now settling at £105.2bn.

Total public sector capitol expenditure in 1982-83 will remain about the same as this year — £11.5bn. But expenditure on construction, a severely depressed industry for the past two years, is expected to rise.

Notionalised industries' investmeot is plonned to rise 23 per cent over this year and 40 per cent over 1980-81. The Government says that in this way it is planning for the continued upgrading of public services, which is another woy of sayiog thot the ecoomy cannot go on tolerating capital underspending — particularly by local authorities — when there are enough unavoidoble deflationary influences at work.

Robin Pauley

FUEL TAXES

Boost to to the petrol price war

THE CHANCELLOR'S widely canvassed decision to add an extra 9p to the cost of a gallon of petrol could help step up the price war that has been raging at Britain's garages for many months.

The increases that came into operotion last night were expected to take averoge pump prices to around 158p for a gallon of four star—only a penny or so higher than they were lost July. Excise duty has gone from 62.8p to 70.85p a gallon while the Value Added Tax on petrol has risen from roughly 19p to 20.15p.

This means that the Chancellor will be taking just over 90p on every gallon sold and the total tax on petrol as a percentage of the averoge retail price per gallon will have risen from 54.6 per cent to 57.4 per cent. The additionol 9p on the gallon is expecte dto yield an extra £410m to the Exchequer in a full year.

The higher petrol prices that follow increases in tax have traditionally led to a drop in demand—although the fall is usually only short term. But the recesion brought a 2 per cent foll in UK petrol demand last year—despite a general lowering of pump prices as a result of the world oil glut and fierce competition in the market place.

Petrol demand in the UK is expected to remoin stable this year at oround 5.3bn gallons or even to grow very slightly. But competition at the pumps is set to continue ond last night some of the major oil companies expressed fears that the 9p average increase in prices could lead to on even more determined fight for morket shares.

The increase in petrol tox is expected to add around £27 to the motorist's overoge costs in a year—assuming he does 9,000 miles at 30 miles to the gallon.

The price of derv—which roused such passion last year—is to go up by 7p a gallon. This will yield about £85m in a full year.

The light aircraft community welcomed the Chancellor's decision to cut the tax on aviation gasoline (avgas) by about 32p per gallon. Hitherto, Avgas hos cost about £2.56 a gallon, of which tax has accounted for 62.8p.

This has been regarded as unfair by the light aviation sector—the operators of business and executive aircraft, air taxis, and those in ogricultural aviation, leisure and sporting flying and in flying training schools—because aviation turbine fuel (avtur) hos olwoys been taxed at the much lower rote of 3½p a per gallon (and no VAT), with o consequently much lower price of about £1.19 a gallon.

The high tax on avgas hos been fought strongly by the General Aviation Monufacturers' ond Traders' Association, and their compaign has now poid off in part—the organisation had been hoping for an even more substantial cut.

BANKS/LEASING

Questions still hang over profits contribution

THE GOVERNMENT'S decision not to tax the High Street banks' windfoll profits for the second year running was welcomed by senior clearing bankers last night. Their relief was, however, incomplete.

The Chancellor made clear on two ocassions in his speech that the whole questioo of bank taxation was still very much a live issue. The windfall profits tax might be dead but the Government is clearly still interested in ensuring banks make an adequate contribution to the government revenue.

It is no secret the banks have been able to defer most of their mainstream corporation tax over the years by taking advantage of accelerated depreciation allowances relating to equipment leased to customers.

This has been one of their biggest growth areas and Barclays, Lloyds and National Westminster, all of whom have reported record 1981 profits recently, have said their 1981 taxation charge in total has been reduced by £391m as a result of taking advantage of these allowances.

The Chancellor took steps yesterday to lessen the attractiveness of the banks' leasing business abroad and curb the use of section 233 loans. He also made o comment, however, which wil give senior clearing bankers food for thought.

He said: "While the meosures I have announced will help, we shall need to give much further thought in the coming year to the problem of how best to ensure a sufficient contribution to tax revenua from the banking sector."

He said the problem was not an easy one because the benefits of the tox allowances in respect of the banks' leasing business were shared between the banks and their customers.

There was a "danger that measures directed to ensure banks poy a more equitable amount of tax are all too aimply by-passed by the banks shifting the burden on to their customers," soid Sir Geoffrey.

The Government has resisted taking action so far because of the perceived difficulties. None the less Sir Geoffrey quoting Edmund Burke, the Tory political philosopher, said: "There is, however, a limit at which forbearance ceases to ba a virtue."

Last night senior bankers had the air of injured innocents as they digested the Chancellor's remarks.

Lloyds Bank said "the average level of taxation on clearing banks is probably higher than that of most industrial companies." It odded: "We are happy to have our profitability and our contribution to tax revenues investigated."

Other bankers, however, were less sanguine. They said that in certain areas the banks were given less tax advantages than industrial companies. They could not avail themselves of stock relief like industrial companies, nor capital allowances on their own buildings.

The banks argue particularly that in inflationary periods their capital ratios come under pressure. This necessitates high levels of profitability to maintain capital base and ensure their ability to service industry when loan-demand increases.

In spite of the bank's protests that they pay more than enough tax the Chancellor's comments yesterday indicated that as far as he was concerned the case was not proven completely.

Currently the banks ore among the most profitable sectors of the business community. The Government still seems intent on increasing the Inland Revenue's share of their profits.

In periods of high interest rates the banks earn high profits because the earnings on their non-interest bearing current account balances increases. They are looking ot ways of reducing the cyclicality of their profits by paying interest on current accounts.

Their initiatives in this direction, however, may prove too slow to prevent the authorities toking further steps of their own to tax profila which, in some people's eyes, still seem unduly high.

However much the banks might wish the subject of excessive bank profits can be pushed under the carpet, it is clear from the Chancellor's statement yesterday that the question of the proper level of tax burden the banks should be asked to shoulder has not been solved.

William Hall

Savings issue No 23 ends

IN HIS Budget statement to the Commons Sir Geoffrey Howe the Chancellor announced withdrawal of the 23rd issue of National Savings Certificates.

The 23rd issue will be taken off sale at close of business today. The second index-linked issue will continue on sale.

ENERGY COSTR

Fuel prices cut for manufacturers

THE CONCESSIONS on energy prices announced yesterday will be worth £150m a year to industry. The Chancellor announced help for manufacturers on their gas prices and on electricity prices for large, high load factor users.

The gas package—worth £61m—will meon that gas prices will be frozen from April until the end of this year. The freeze will apply to both firm supply and interruptible supply contracts and prices will be pegged at an average of around 30.3p a therm (firm) and 26.5p a therm (interruptible).

Gas buyers taking some 10m therms a year interruptible contracts can expect to save around £80,000 o yeor while a medium sized firm supply customer will probably save £25,000 a year. A small firm supply manufacturer taking 300,000 therms a year could have £1,500 cut from his bill.

British Gas is to be given the money to pay for the new price freeze via a 1p a therm reduction in the gas levy. This is expected to cut the gas levy from £750m to £600m in 1982-83—a saving of £150m for BGC. But British Gas's external limit—the amount it has to give the Government in effect—will go from —£2m to —£75m. This will meon that the corporation will only receive slightly more than the £60m total cost of the gas price freeze.

Industrialists last year waged a fierce campaign over gas prices and electricity prices, claiming that prices were higher in the UK than in most continental countries. But UK energy prices for maoufacturers are now more closely in line with those on the continent. Gas prices, in particular, are now thought to be slightly below those in Europe where interruptible supplies ore concerned.

The electricity supply industry reckons that over 100 large industrial users, particularly in the iron, steel ond chemicals sectors, could benefit from the new price concessions, which in some cases could reduce companies' charges by up to 16 per cent but in others will mean a drop of only a few per cent.

The scheme is a more generous variation of one announced in lost yeor's budget—so-called category C—under which bulk electricity users are offered large discounts in return for them agreeing to reduce consumption at periods of maximum national demond.

Under the new system customers will not be required to reduce their power for more than 60 hours a year, compared to 365 hours for category C, and they will be given at least two hours' notice of any reduction, compared to as little as 15 minutes for category C.

The concessions will be welcomed by industrialists who previously complained that category C was insufficiently flexible to be of use in their production processes.

The plan, which will come into effect on April 1, follows the lines recommended to Government by the supply industry in its recently completed review of the bulk supply tariff.

Category C, meanwhile, is to remain in existence for customers who may not be large enough to take advantage of the new scheme or who may be unwilling to sign three year agreements.

The Government is also renewing the permission it gave the electricity industry last year to give additional pricing flexibility to certain large customers.

Martin Dickson
Sue Cameron

CHARITIES

Astonishment expressed at VAT non-exemption

GENUINE astonishment was expressed by charities at the Chancellor's decision not to exempt them from VAT.

But a warm welcome was given to measures relating to the disabled, with the raising of the mobility allowance and it's total exemption from tax.

Mr Tim Yeo, director of the Spastics Society and chairman of the VAT Reform Group, said he was bitterly disappointed at the VAT non-exemption. "Representations on VAT have been as strong os those on whisky," he said "and perhaps more deserving."

Some 248 MPs had signed an early-day motion, put down in January, requesting VAT relief for charities, a move which it has been estimated would cost the Treasury £20m a year.

Mr Yeo said he expected the fight over the issue to continue during the passage of the Finance Bill.

Sir Geoffrey Howe said the attractions of relieving charities of VAT were obvious but raised substantial difficulties.

"Reluctantly I have to be satisfied with other ways of helping charities instead," he said. These included the increasing of capital transfer tax exemption for qualifying gifts to charities made within a year of death from £200,000 to £250,000, the abolition of stamp duty on transfers of assets to charities, and the removal of any liability to development land tax where o charity disposed of property which had been subject to roll-over relief.

Mr Yeo said the latter proposal was not very significant while the increase to £250,000 on CTT was academic as few legacies were of this amount. The stamp duty abolition would save the Spastics Society about £40,000 a year but would only benefit richer charities, he said.

Mr Yeo "warmly welcomed" the Chancellor's increase of mobility allowance, from £16.50 a week to £18.30. Sir Geoffrey had said that the increase meant the allowance had risen by over 80 per cent since the Government took office representing an increase in real terms.

The Chancellor also announced that from April 6 the allowance would be wholly exempt from income tax. "This is a major step," he said "it means an increase in net income of up to £5 a week for the working disabled."

Lisa Wood

GAMBLING

A sigh of relief from slot machine makers

THERE was a small sigh of relief from gaming machine manufacturers and operators yesterday because their worst fears were not realised.

The Chancellor did not, as widely feared, introduce an ad valorem tax on the money left in machines after jackpots had been paid out. Nor did he extend licence duty to amusement games such as space invaders.

The Chancellor did, however, introduce sharp increases on gaming machine licence duty.

Although he abolished the duty on 2p machines, a measure which should help hard pressed seaside amusement arcade owners, the Chancellor has brought in a duty of £120 a year on 5p jackpot machines and £300 a year on 10p machines in public houses, cafes and arcades. For clubs the figures are £300 and £750 a year.

At present the duty in pubs and cafes is £60 for the first machine plus £120 for each subsequent machine over 2p. In clubs the duty is £200 for 5p machines and £400 for 10p machines.

Dr Bill Pilkington, chairman of the Bell-Fruit group, manufacturers and suppliers of machines, said the increase was very substantial for pubs and could result in less machines being used, or in pubs trading down from 10p to 5p machines.

"There is no ad valorem tax and for that we are thankful, and amusement games don't get caught. But I think it is going to have a measurable effect on the number of machines in pubs and clubs. It is sufficiently swingeing at the 10p level for it to have a noticeable effect on some marginal pubs," Dr Pilkington said.

Raymond Snoddy

NI surcharge cut to $2\frac{1}{2}\%$

THE CHANCELLOR announced in his Budget statement that, in order to help business costs and employment, he is proposing to reduce the National Insurance Surcharge.

The rate of the surcharge is to be reduced from $3\frac{1}{2}$ per cent to $2\frac{1}{2}$ per cent. The cut will take effect from August 2.

These changes will reduce the revenue from the surcharge by an estimated £1,000m in 1982-83 and £1,195m in a full year.

PERKS

Biting the 'golden handshake'

THE CHANCELLOR has responded to recent criticism of a number of very large "golden handshakes" which have been paid to company directors by increasing the tax bite on them significantly.

Henceforth, tax relief on these lump sum payments will be withdrawn on a sliding scale, so that sums over £75,000 will be fully taxable.

The subject came to public attention late last year when Associated Communications Corporation announced that it had agreed to make a payment of £560,000 to Mr Jack Kill following his resignation as managing director.

A Conservative MP, Mr Anthony Beaumont-Dark, called the Gill payment "obscene and unwarranted" and urged the Government to police handshakes in excess of £75,000.

In last year's Finance Act, the Government had already changed the law relating to golden handshakes. It abandoned the complex system of relief known as top slicing and replaced it with a simpler flat rate form of relief.

Under this system, the threshold beneath which payments were exempt from tax was increased from £10,000 to £25,000. The tax liability represented a figure half way between what would have been payable on income for the year excluding the termination payment and the tax liability on income for the year including termination payments in excess of £25,000.

Under the proposed new rules, which apply from April 6 1982, the first £25,000 of any payment will remain exempt and the next £25,000 will continue to benefit from the one-half tax reduction. Where a payment exceeds £50,000 the next slice of the payment up to a maximum of £25,000 will now qualify for only a one-quarter reducton n the tax payable, and any excess over £75,000 wil be taxed n full.

The key pont s that under this system there s a maximum of relief obtainable — £11,250. Under the former rules there was no maximum, which meant that the greater the handshakes the greater the benefits.

Dominick Lawson

FINANCIAL TIMES

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Budgeting for fair weather

THE CHANCELLOR sat down at the end of a very long Budget speech yesterday deservedly a more popular man than he has been until now—certainly with his own political supporters. Both the economic and the electoral weather is changing for the better, and the Chancellor took advantage of this to set just a little more sail, nicely judged for display value.

In a Budget which was as long on detail as it was short of any new strategic thoughts, he has contrived to make a major reform of the capital markets, and quite an energetic attempt to excavate the construction industry from the pit he dug in earlier years, and otherwise to do quite a lot of good in small ways. Industry could well emulate his example of adding the maximum of value to the minimum of raw materials.

Detailed reliefs

The general aim of providing reliefs for specific problems rather than a general stimulus seems precisely right, though the Chancellor's diagnosis of the most painful pressure points is not quite the same as our own. The most expensive single measure—the 1 per cent cut in the National Insurance Surcharge—is welcome in principle, but will have a very marginal impact on costs. The same sum of £640m concentrated on the areas of maximum unemployment might have achieved more in the way of real results.

For the rest, there is a whole range of detailed reliefs for bulk energy users, the airlines, and for small business—even school-leaving subcontractors were not forgotten. Like an industrial Solomon on the judgment seat, Sir Geoffrey encourages Teletext, penalises gambling, and delivers a stiff warning to the banks. All these causes seem well chosen, but are not for the most part central to our wellbeing.

Clear suggestion

On personal taxation, the Chancellor has made some small restitution for his failure to index tax thresholds last year, and gone to the generous end of the proposed scale of increases in child benefits. These changes are all in the right direction, but very modest; there was no suggestion of when it will be possible to do something effective about the poverty trap, and the corresponding disincentive to work, which has been much deepened in past Budgets.

There was a clear suggestion, however, that this or alternative good things will be done "when the economy can afford it;" and it is this basic fiscal approach, together with the much blurred remnant of the Medium Term Financial Strategy, which arouses the strongest doubts. Sir Geoffrey's robust claim—that policy must be measured by "actual spending and actual tax payments, not hypothetical estimates of what they might have been had the world been somehow different"—only sounds like common sense.

Cautious relaxation

Indeed, the implied strategy of only cutting taxes when the economy is growing—"when the economy can afford it"—is neither sensible, nor consistent with his own "acid test" of fiscal policy, the effect on interest rates. Expansion implies higher private sector credit demand, and this may drive up interest rates unless the public sector's demands are cut. Sir Geoffrey seems ready to preach this message to President Reagan, but not to live by the same rule.

This does not mean that we quarrel with the actual Budget judgment; but the right reason for this cautious relaxation was that past fiscal constraints were too tight, not that a higher official forecast for real growth makes the cuts compatible with a lower forecast PSBR. It is to be hoped that there is more rhetoric than strategy in this section of his speech.

Structural changes

Unfortunately that phrase applies only too aptly to the latest version of the MTFS—the framework for policy and expectations which was launched two years ago. For the second successive year a large overshoot in monetary growth is simply explained away, and a new and vaguer target set for the future.

To set the same target growth range for all the various measures of money, from M1 to PSL2, is technically unsound, and inconsistent with Sir Geoffrey's own explanation of the overshoot last year—structural changes which would tend to inflate the broader rather than the narrower aggregates. But we now have in addition three new measures of the monetary stance—the level of real interest rates, the growth of money GDP, and the movement of the exchange rate.

Generally welcome

This is sheer muddle. If interest rates are heavily influenced from overseas, as Sir Geoffrey concedes, and an acid test of fiscal policy, it is hard to see how they can tell us much about domestic monetary policy. A 10 per cent growth rate for money GDP is mentioned as a kind of planning background for policy, but the figures are known too late to act as a running check; and it is "assumed" (rather than intended) that there will be no "major" change in the exchange rate. If policy is to provide the planning frame which is intended, the House should press the Chancellor to be more specific and less muddy about his policies.

It would be inappropriate, though, to end a review of this generally welcome Budget on a sour note. If we remain unconvinced about the underlying strategy in fiscal and monetary control (though quite happy about the present stance), we can enthusiastically welcome one new theme introduced yesterday.

Ravages of inflation

This is the general emphasis on indexation of a wider range of taxes and thresholds, particularly the indexation of capital gains tax, and the wider availability of indexed government stock. The general availability of assured real values to personal savers has the double effect of stimulating the economy in the long run, by reducing the need to make good the ravages of inflation on personal assets, and of tending to reduce the PSBR and the money supply. The indexation of CGT was a necessary counterpart to enable equities to compete with such securities in the market, and should in the long run again help both expansion and monetary control. These measures are likely to be remembered long after the details of the 1982 Budget are forgotten.

ECONOMIC ASSESSMENT

Strategy still to be clarified for the medium term

THE MAIN part of yesterday's Budget was contained in the Financial Statement rather than the Chancellor's speech, which concentrated far too much on minor Inland Revenue changes and other detail which could more easily have been consigned to the Finance Bill or to separate documents.

The problem with the Government's economic strategy is that a great many people follow, in less articulate form, the views of the famous 364 economists who think it wrong and that far more money be poured into the economy. Among those people with more "sound money" instincts there is still the problem of reinforcing its credibility.

Sir Geoffrey Howe does not help, on either front, by going out of his to suggest that he either finds his Financial Strategy boring or is afraid that other MPs will.

As I was leaving the Chamber, I was asked to give some oracular pronouncement on whether the Chancellor had "put something into the economy or deflated it further." The Budget at least has the merit of showing that this time-honoured question be due for the scrap-heap.

The direct impact of the tax changes, compared with what would have happened if the allowances, specific duties and related thresholds had been merely indexed is a reduction in revenue of nearly £1.6bn in 1982-83 and £2.5bn in a full year. There are also some £350m of expenditure increases this year, but we are assured that they are more than offset by estimating and other changes. Allowing for the feedback into the economy, the PSBR cost of the tax concessions is £1.3bn.

But anyone who wants to say that the Budget is "stimulative" has to face the fact that the PSBR is expected to decline by £1bn and fall even more as a proportion of the national income. Thus the time-honoured question can be answered in any way one likes.

How has the feat of reducing both the tax burden and the PSBR at the same time been achieved? There have been a number of more or less offsetting changes, such as a slight increase in the growth estimate and a reduction in North Sea oil revenue figures. But the main reason is that a £1bn tax reduction was allowed for in the much-maligned Medium Term Financial Strategy (MTFS) published at the time of the *last* Budget, where it was disguised under the title of "implied fiscal adjustment." But of course no-one would have believed such promise of jam tomorrow in 1981 when the actual Budget provided for a sharp and controversial rise in the tax burden.

The most sensible approach to the Budget's economics is to note that national income in money terms (Money GDP in the table) rose last year by 10 per cent and is expected to rise by roughly the same percentage—if anything slightly less — in 1982-83 and in the two succeeding years. It must be emphasised that these figures are not Government objectives, but projections by Treasury economists on the basis of what they assume to be Government policy; and one must congratulate them on the amount of juice they have been able to squeeze out of not very promising fruit.

Their expectation is that more of the growth of total spending will go into higher output and less be dissipated in inflation than in the past. The inflation rate, which was 12 per cent in the period up to the end of 1981, is expected to fall to 9 per cent by the end of 1982, 7½ per cent by the middle of 1983 and 6½ per cent by 1984-85.

Real output, on the other hand, which fell by 2 per cent in 1981 is expected to rise by 1½ per cent in the course of 1982, by 2 per cent in the year up to the middle of 1983, and is then assumed to be on a 2½ per cent trend growth up to 1985.

As a result of recent productivity improvements, the Government's economic advisers have raised their estimates of the long-term underlying growth of productive capacity from 1½ per cent per annum to 2½ per cent. This is not very different from the expected growth of output itself, once the recovery gathers pace. The official assumption now is that UK adult unemployment will level off at 3m with no marked trend over the next couple of years.

The estimate makes no allowance for the special public service projects as an alternative to drawing the dole, announced by the Chancellor. This could take 100,000 people off the unemployment register and the Government would be prepared to put up more funds for extending the scheme if it were seen to work.

This is much the best part of the Budget. If the restriction to "non-profit" schemes were removed, it could make very large inroads indeed on unemployment, if it did not induce a TUC-led revolution first. But most of the other specific stimuli to public expenditure and private investment are of the traditional kind which subsidise the use of capital rather than the employment of labour.

PUBLIC SECTOR BORROWING

	1980-81	1981-82	1982-83	1983-84	£bn, cash 1984-85
General Government expenditure	107.9	119½	131¼	138	148
General Government receipts	−94.0	−109	−121½	−130	−143
Implied fiscal adjustments*	—	—	—	+½	+2
GGBR	13.9	10½	10	8½	7
PSBR	13.2	10½	9½	8½	6½
As % GDP	5.7	4¼	3½	2¾	2
Money GDP at market prices	231.0	255	280	307	336
% change in above	—	+10.4	+9.8	+9.6	+9.4

* Means lower taxes or higher public expenditure than assumed in lines 1 & 2.

Source: Financial Statement

These longer-term projections, of course, indicate trends rather than precise year-to-year movements. But they certainly cannot be dismissed as being merely for the birds to consume. The inflation projections have been used as a basis for public expenditure projections which appear for the first time in cash rather than funny money. Should inflation be faster than now assumed, the Chief Secretary will have the embarrassing but salutary task of having to argue either for an increase in spending totals or for a reduction in public expenditure programmes.

The objectives of the MTFS are seen clearly enough by the authors of the accompanying "Red Book" table. It is some achievement to have rolled the figures forward into 1984-85, the first year of the new Parliament. They are also now in cash rather than impenetrable kinds of funny money. The Opposition parties should now saw how, if at all, they would change the main objectives shown in the table.

But the Government itself is, however, still extremely vague on means of implementation. The nearest thing to a commitment is the intention to carry on reducing the PSBR. But the particular numbers shown need a great deal more justification than they have received; and they will not themselves lead to the indicated growth of money national income unless the monetary part of the MTFS is implemented.

The Red Book authors have noticed that the main measures of the money supply all increased by about 12 to 13 per cent per annum over the seven years from 1974 to 1981. They have therefore put in an illustrative range for something called "money" without any further definition. This starts at 8 to 12 per cent in 1982-83 and falls by 1 per cent in each of the two successive years.

But under current practice the Bank of England operating objective is not money or bank reserves as such, but short-term interest rates. In determining these the Bank pays at least as much attention to the exchange rate as to even a common-sense measure of money, which looks at all the aggregates and allows for institutional change.

The argument about the relative weight to be given to the exchange rate and to monetary domestic monetary aggregates is still unresolved. Even among those who put most emphasis on the exchange rate, there is a cleavage between those who would prefer a gradual depreciation over the next few years in the hope that it would increase international competitiveness and those who would like to stabilise the rate at around its present level for counter-inflation reasons.

For the time being any large movement in the rate in either direction would be discouraged. But this hardly amounts to a coherent strategy for the medium term. As I have remarked in previous Budget articles, those who believe in such a strategy, have neither lost or won, but live on to fight another day.

Samuel Brittan

POLITICAL ASSESSMENT

Buoyant Sir Geoffrey unites his Party

THIS IS a very political Budget designed to unite the Conservative Party and to improve its fortunes in the country.

As for the first objective, the immediate reaction must be that it has already been partly achieved. It is a long time since a Chancellor of the Exchequer in his Budget speech received so many cheers from his own benches and so few jeers from the Opposition. It cannot easily be said for the moment that Sir Geoffrey Howe is not up to the job or that the Tory Party in the House of Commons is hopelessly divided.

For a start, there was the Chancellor's new buoyancy. He was confident enough to reverse the traditional pattern of these set-pieces and say at once that he proposed to reduce taxation. He also made the odd joke. It was probably his best performance in the House so far.

Again, there was his deference to the views of Tory backbenchers. There was a strong case for a larger increase in petrol duty, Sir Geoffrey said, but it had been impressed upon him by honourable Friends from rural constituencies that pump prices in remote areas were very much higher than those in more heavily populated areas. Therefore, he was holding back. That sort of flattery of backbench opinion does a Minister a great deal of good—at no vast cost.

The Chancellor deferred again to the younger and more liberal wing of the Tory Party by forgoing the proposed 2 per cent cut in real employment benefits. In fact, the cut would probably have been defeated in the Finance Bill, so there was everything to be gained by giving way in advance. Many of Sir Geoffrey's Conservative critics have been disarmed, with the added result that they can pride themselves that their views have been heard. Tories will find it harder now to speak of a rigid Chancellor.

As for the second objective—that of improving Conservative fortunes in the country—it is too early to tell. But it requires no great foresight to see that the Government has its eyes on the by-election in Glasgow Hillhead in two weeks' time. The number of references to Scotland and things Scottish were enough to show that: for instance, the very light treatment of the duty on spirits, including Scotch whisky.

It may be that the Government has been lucky in the timing. Not many months ago, when the Tory Party was unhappy, it was a natural prediction that the Budget would be the test of whether it had any real chance of winning a general election. Now the test has become Hillhead instead. If the Tories can keep out Mr Roy Jenkins of the Social Democrats there, the wind will be in their sails.

Such a result still seems to me unlikely, but anyway that is now the object of attention.

For the slightly longer term, the main fact worth noting is that Sir Geoffrey has reasserted his authority without any really major change of course. It was in many ways a typically Howe Budget: for example, the changes in relatively minor tax regimes, the further improvements in aid for small businesses and the attempt to get more young people into the construction industry.

These are the sort of changes which, while not large in themselves, are cumulatively necessary to change the structure of the economy, he believes.

Besides his preference for private enterprise, the Chancellor showed a desire to give no further cushion to the nationalised industries. Thus the latter will receive no net gain from the cut in the national insurance surcharge: they will have to pay it back through a reduction in their cash limits.

The one slight deviation is the increase in Government aid to high technology, including space technology. That is a factor which has entered Government policy since the departure of Sir Keith Joseph from the Department of Industry last year, and there may be more to come. The word in orthodox Conservative circles is that it is at least better than giving aid to old, low technologies.

For the rest, Sir Geoffrey is entitled to claim that the auguries are considerably better than they were a few months ago. Inflation again seems to be on a downward path and going below the 10 per cent annual rate that had sometimes come to seem the best that could be hoped for. The forecast for output has gone up slightly and the public sector borrowing requirement is on target. There is some confidence that interest rates will come down.

Few of the Chancellor's critics predicted that last autumn.

What it boils down to is that the Government has accepted that it will inevitably go into the general election with a high rate of unemployment. It will do its best to alleviate that: hence the attempts at job creation at rates of pay above unemployment benefit but below those received by many who have a job now.

It will also claim that fundamental structural changes are going on in the economy which need to be continued through a second term in office.

The most striking political fact is that that is an argument which the Social Democrat-Liberal Alliance will find very difficult to counter. It is broadly the sort of change that they want themselves.

The Labour Party has a counter, of course, in calling for dealing with unemployment by co-operation between government and unions and increased government intervention. But it sounds very much like a return to the past and I doubt if that is the way the argument is running in the country as a whole.

Malcolm Rutherford

Men & Matters

Musgrove takes the wheel

Harold Musgrove, the great survivor at BL, today emerges as the boss of the volume car division, now renamed Austin Rover.

Musgrove, who is now 52, joined the old Austin Motor in 1945 as an apprentice. To this day he retains the plain-speaking, no-nonsense approach which took him steadily to the top, via the production side of the business.

His appointment as chairman of Austin Rover explains to some extent the decision announced last week by BL's top salesman, Tony Ball, 48, to leave the company in the autumn.

Ball, ironically another former Austin Motor apprentice, joined in 1950 but spent the 10 years from 1968 away from the group until he returned at Sir Michael Edwardes' personal invitation.

Ball's former power base, BL Europe and Overseas, the worldwide sales and marketing organisation, has been split up. Jaguar took over its own sales and marketing in January. Now Musgrove has been given responsibility for the sales and marketing of the other cars.

One of Ball's two deputies, Trevor Taylor, was yesterday named sales and marketing director of Austin Rover. Ball would probably have preferred Musgrove's new job to that one.

Since Edwardes' arrival at BL Musgrove has had responsibility, using various titles, for production of the volume cars. He is the man who made sure the Metro was introduced on time and promises that he will achieve the same with the LM10 range of medium-sized cars so important to BL's future.

Musgrove also supervised the contraction of BL's fragmented car production operations so that the company could concentrate on two modern plants, at Longbridge and Cowley.

But he stresses that this has hardly had any impact on BL's capacity to produce cars. Modern production methods mean the group is still capable of producing upwards of 900,000 cars a year.

First division

If Professor Brian Griffiths has his way, the Barbican will become as well known for its business school as for its Shakespeare and symphonies.

The staunchly monetarist Griffiths is taking over as Dean of the City University Business School — which moved unobtrusively into the Barbican last year — after five years as director of the university's Centre for Banking and International Finance.

His ambition, he says, is to see the school become "one of the world's best" — and there is no reason why it shouldn't if the full potential of its City location is exploited.

Welsh-born Griffiths has, after all, almost emulated the soccer achievements of John Toshack at Swansea in bringing the Centre for Banking speedily into the first division in its field.

Launched with City funds, the Centre has developed its City links alongside its teaching and research. Griffiths himself is consultant to a leading firm of gilt-edged brokers.

For the 30 undergraduate places this academic year, there were 900 applications. "That's the standard of a London medical school or just below Oxbridge," he says.

"What I like about the City is that it is a meritocracy. And it is that we are appealing to. Our location could be a springboard into the international market and substantial growth," Griffiths adds.

A member of the Tory Bow Group, Griffiths once sought a seat in the Commons, running behind both the unofficial and official Labour candidates at Blyth in 1974.

Since then, he has preferred to confine his political activity to advising Sir Geoffrey Howe on economic strategy before the 1979 election and exhorting him afterwards to stick to it.

Shagari shuffle

President Ronald Reagan is not the only head of state to have problems with the arrangement for his state visits. An official announcement in Lagos yesterday that President Shehu Shagari of Nigeria is leaving for a visit to West Germany this week disguises some hasty last-minute reorganisation.

The original plan was for the Nigerian President to pay a state visit to Ghana at the time of that country's 25th anniversary celebrations of independence. The overthrow of Dr Hilla Limann by Flt Lt Jerry Rawlings on New Year's Eve put paid to that idea. The anniversary celebrations were cancelled, and relations between the two countries are distinctly frosty: Nigeria's civilian government does not favour military coups.

A state visit to France was proposed in its place, to cement the rapidly developing trade relations between the two countries—Nigeria has overtaken all the former French colonies as France's top trading partner on the African continent.

However, President Francois Mitterrand could only propose a working visit, given the lack of time for preparation. He suggested meeting his Nigerian counterpart for a working lunch.

The Nigerians were distinctly upset by the lack of pomp and ceremony on offer, according to reliable sources in Lagos. "The Queen met President Shagari at Victoria Station," according to one official. "The least President Mitterrand could do was come to the airport."

An agency dispatch from Lagos yesterday was suitably circumspect about the cancellation of the French visit. It quoted "diplomatic sources," saying it was postponed "for technical reasons."

Meanwhile, the West Germans have managed to put together a suitably prestigious programme in the time available, which will no doubt cement their position as Nigeria's second biggest source of imports after the UK. West German contractors can expect friendly treatment in the coming months.

Two-upmanship

Sticker seen in the window of a brand-new Porsche in one of the more prosperous areas of Buckinghamshire: "My other car's a Porsche."

Observer

THE BUDGET: Analysis

INDUSTRY

'This year he did something . . .'

HELP for industry has been provided in a number of different ways in the Budget and the initial reaction of many industrialists last night was that it was probably the best that they could have expected.

The Government is providing a total of £280m in industrial aid schemes and reduced energy costs in addition to £640m through the 1 per cent cut in the National Insurance Surcharge.

There is also an array of help for small businesses, including tax concessions and an extra £150m for the banks' loan guarantee scheme.

Hopes of interest rates cut

The boost for the construction industry should feed through into manufacturing companies, and there is also hope that the overall Budget strategy will help to bring down interest rates.

As one industrialist said last night, "Last year Sir Geoffrey went through the motions of an industry Budget. This year he has actually done something about it."

But Sir Geoffrey did not do enough to make industry feel it had received all it deserved. The Confederation of British Industry wanted a larger cut of 2 per cent in the NIS, and companies were also arguing for positive action on local authority rates. Those nearer to the consumer, such as food manufacturers and retailers, also wanted cuts in either basic income tax or VAT.

No industry-oriented Budget could have ignored the NIS, which the CBI has made its cause celebre. Not every company large or small would necessarily put it at the top of their Budget shopping list, but it has provided a simple campaign leader around which the CBI could group all the other State-imposed costs such as energy prices and rates about which every businessman grumbles.

The CBI wanted a 2 per cent cut in the current 3½ per cent level of the five-year-old surcharge which in the current 1981-82 financial year is providing about £3.6bn for the Treasury's Consolidated Fund. The surcharge is levied as a form of tax on that part of a company's wage and salries bill applicable for national insurance contributions.

A 2 per cent cut, if spread across all industries and employment in both the public and private sectors, would have cost the Treasury about £2bn in a full year.

The Chancellor has devised a solution which does not give the CBI all it wants but which softens this blow both by providing virtually the full benefit of the cut in the first year and by excluding the public sector.

The cut announced yesterday of 1 per cent will come into force on August 2, which will leave sufficient time for national insurance tables to be changed and for other administrative changes to be made.

But to make up for the time lag, an extra ½ per cent cut will be allowed from August to next April, so bringing the value up to a full year's 1 per cent cut. (Industrialists no doubt hope that that extra ½ per cent will be continued, if not enlarged, in next year's Budget.

The cost to the Treasury of £1bn in 1982-83 and £1.2bn in subsequent years has been cut to £640m and £765m by clawing back the concession from nationalised industries' external financing limits, from the cash limits of central Government and the national health service, and from local authorities' rate support grants.

Sir Geoffrey made it clear that he had done this because the concession was aimed at "reducing business costs in the private sector." But his action will anger nationalised industries in particular, since he singled them out when criticising the public sector for its high strike record.

In practice the move means that a company like ICI will save £4.5m to £5m a year while British Gas and British Steel will have to repay their savings of £6.8m and £7.5m respectively.

The details of new industrial aid schemes will be anounced by Mr Patrick Jenkin in the next few days. They involve expenditure of £130m over three years and partly reflect his wish gradually to switch the emphasis of his Department's £2bn a year expenditure away from declining industries and into high technology and new businesses. (The authorisation yesterday of a British Telecom private sector bond of up to £150m also illustrates his concern for increasing high technology investment).

Overall the package shows how Mr Jenkin is taking a more robust view of his Department's role in encouraging industrial developments, eschewing the stand-off approach of his predecessor, Sir Keith Joseph.

Basically the £130m will be spent in four areas, the first three of which will take up about £100m either to expand existing high technology aid provisions or set up new aid arrangements:

● Additional aid is to be provided for space technology. It is intended both to boost the Government's contribution to UK and European projects and to act as a catalyst attracting private sector investment.

Space has been identified by the Department as an area needing maximum support, although it seems unlikely that yesterday's announcements will provide much more than £25m to £30m extra, depending on how Mr Jenkins decides today to spend the extra funds.

● Aid is to be allocated to encourage companies of all sizes develop new production engineering techniques, bolstering reesearch and development programmes that some companies have had to reduce because of the recession. It will cover a variety of areas including robotics and other forms of automation.

This will supplement and extend the range of the Department's Product and Process Development Scheme which has provided £118.2m of support for companies in the past five years.

● Aid is also to be provided for small engineering companies to encourage them to invest in new machinery so as to ensure that shortage of cash does not inhibit their technological development.

● Capital allowances on rented television sets equipped to receive teletext broadcast information services are also to be extended for a year at a cost of about £30m.

Phasing out of the allowances had ben due to start in June. The move represents a partial concession to the television rental companies, whose cash flow would suffer from the removal of the allowances. The companies had urged a two-year extension which, they estimated, would enable them and their manufacturers to supply an additional 100,000 sets over the next five years.

John Elliott

CONSTRUCTION

Chancellor's boost given cautious welcome

WITH AN eye on the construction sector's capacity to generate jobs quickly, the Chancellor yesterday presented a package of measures designed to provide work for an industry which has seen output fall by one-fifth since 1978.

There was a cautious welcome for the proposals from the industry, which nevertheless immediately cast doubts on Sir Geoffrey's claim that public sector spending on construction would rise in 1982-83 by 14 per cent to £10½bn. The Chancellor claimed that expenditure on housing, water and sewerage programmes would rise in real terms next year.

The 14 per cent increase is apparently based on the latest estimates of the value of construction work carried out in the current financial year—during which a number of public authorities are likely to have substantially underspent on their construction budgets—and on an assumption that there will be no similar level of underspending in 1982-83.

Included in the package are higher grants for home improvement and insulation work, capital allowances on new private rented accommodation built under the assured tenancies schemes and an extension of industrial building allowances.

In addition, there will be VAT zero-rating on certain types of building alterations and a raising of thresholds on stamp duty payable on the transfer of property. The Chancellor said the total value of measures affecting the construction sector was £240m in 1982-83 and over £150m in 1983-84.

On housing, the Chancellor said that local authorities had "greatly underestimated" the Government's success to date in selling council houses and local authority land and that the extra revenue raised had not yet been spent.

In the next financial year, he added, authorities would be able to spend up to £3bn on housing, including £1bn arising in the shape of receipts from sales. In December, Mr Michael Heseltine, Secretary for the Environment, said that he expected authorities to find nearly £600m of their housing budget for 1982-83 from sales of houses and land.

As expected, the Chancellor announced plans to encourage home improvement work. The value of grants for major repairs and the provision of basic amenities is to rise from 75 per cent of "eligible costs" to 90 per cent. But the increase will only affect grant applications made before the end of 1982. Intermediate grants for home improvements will remain at 50 per cent of eligible costs. Sir Geoffrey said that the intention was to employ existing spare capacity in the industry and to "tackle some of the most severe shortcomings in the existing housing stock."

The Government is increasing by £8½m the amount of money available for grants to assist people towards the cost of insulating their homes. This will increase from £90 to £95 the maximum level of grant available under the loft insulation scheme. It also takes account of changes in building regulations requiring a higher standard of home insulation. The total cost of increases in home improvement and insulation grants is estimated at £100m.

The National Home Improvement Council welcomed the initiatives as an important step in the right direction and hoped that these would encourage more people to apply for grants.

The Council also approved the proposal to maintain the zero-rating for value added tax on a range of building products used in home improvement work. Zero-rated status had been threatened by a recent House of Lords judgment. Products to be protected by new measures include double-glazing, loft cavity wall insulation and damp-proof coursing.

The higher exemption limits for stamp duty will be widely welcomed by the housing industry. The present £20,000 trigger point for the duty is being raised to £25,000 and each subsequent threshold by £5,000. The changes mean that the maximum 2 per cent duty will take effect on properties over £40,000 instead of £35,000. The new limits will take effect later this month.

There was also help for the industrial sector.

The scope of the industrial buildings allowance is being widened to include buildings used for "certain servicing, repairing and warehousing purposes." This should widen the catchment area of potential tenants and make industrial developments easier to let.

The change will also apply to the small industrial workshop — "nursery unit" — scheme, under which 100 per cent first year allowances are available on buildings up to 2,500 sq ft. The allowance on larger buildings was raised to 75 per cent in last year's Budget.

Sir Geoffrey said that the "nursery unit" scheme brought in two years ago had been a "resounding success." Over 5,000 small workshops had been constructed for letting for small business at an estimated Exchequer cost, spread over several years, of £125m to £150m.

However, he added that the scheme had succeeded in increasing the stock of industrial workshops at or near the upper size limit, but that there had been relatively little investment at the very small en dof the range.

Accordingly, he proposed to extend the scheme for very small end of the range. than 1,250 sq ft, for a further two years until March 1985.

The Chancellor also said that up to £70m would be earmarked by way of urban programme and derelict land grants in 1983-84 for joint development projects between the public and private sectors. He also revealed that 75 per cent capital allowances will be given in the first year on property built for letting under the assured tenancies scheme included in the Housing Act 1980.

Reaction to the measures was mixed. The Royal Institution of British Architects said that they would not compensate for the 12 per cent fall in construction output last year.

Michael Cassell, Andrew Taylor and William Cochrane

INDEXED GILTS

Curbs on indexed gilts ownership lifted

THE REMOVAL of the restrictions on ownership of index-linked gilt-edged stocks marks the third major stage in the development of inflation-proofed investment vehicles by the Government.

The original index-linked "granny" bonds for pensioners were introduced in 1975, along with an indexed Save-as-you-earn scheme. In 1981 granny bonds were made generally available, and in a second important innovation an indexed gilt-edged bond was launched for pension schemes.

Up to yesterday three separate indexed gilts had been issued, worth in all some £2.5bn at issue prices, and the third of these—Treasury 2½ per cent Index-Linked 2011—was still being operated as a tap stock, though it has now been temporarily withdrawn.

The restriction to pension fund ownership had the effect of allowing a carefully controlled introduction to the capital market. In particular it ruled out foreign buyers, such as big Middle Eastern investors, who a year ago were still heavy net investors on the world's stock markets.

With sterling holding at very high levels in the early part of 1981 there were fears that the availability of attractive inflation-proofed investments might attract inflows and drive sterling up to still more extreme heights.

The pension funds, however, proved rather fussy investors.

Although the first issue, made like the latest one by tender, just got away at par of 100 to give a real yield of 2 per cent, its price subsequently sagged. The second issue was sold controversially at a cut price of 86 and the real yields on all the stocks have become established at 3 per cent or more.

Pension fund actuaries have been unwilling to approve investment at real returns less than this because the funding basis of schemes would be impaired.

By widening the range of potential investors the Treasury will now be hoping to obtain funding which is cheaper in real terms. Significantly the coupon on the latest issue is 2 per cent, against 2½ per cent conceded on the 2011 stock.

This indexed borrowing has attractions for the Treasury at a time when real yields on conventional gilts are unusually high. Fixed coupon gilts at present yield up to 14 per cent at a time when annual inflation over the next year or two should be in single figures.

And with sterling now much weaker, foreign investors will, in moderation, be acceptable. The possibility of a flood of buying from abroad is, in any case, much less this year because the Opec surpluses have dried up, and real returns are generally quite high on other major capital markets—in conventional dollar bonds, for example.

The likelihood now is that pension funds will make significant capital gains on their existing holdings of indexed gilts, but will then find the prospective returns unattractive and will be sellers.

The domestic buyers will be other institutions — such as insurance companies—and private investors. Indexed stocks are especially attractive to individuals who bear high taxes on investment income—the kind of investors who up till now have bought low coupon conventional gilts, which are likely to be marked down in price

Small investors have already been substantial buyers of index-linked National Savings certificates over the past year, at a real return of hardly more than nil (a small bonus is payable after five years).

For private investors the indexed gilts represent a new alternative to unit trusts and other equity-type investments.

There could be adverse implications for the equity market, though it is argued by the pension funds that the real return on UK Ordinary shares has been something like 4 per cent in the very long term. Yesterday's concessions on the indexation of capital gains were necessary to prevent equities from labouring under a tax disadvantage compared to indexed Government securities.

Rosemary Burr adds: For the first time in 19 years the Government has withdrawn a National Savings Certificate without giving the normal few weeks' notice. The Chancellor's announcement that the 23rd issue, which carried a record interest rate of 10.51 per cent over five years free of tax, would be withdrawn today came as a surprise.

Recent sales of the 23rd issue have been strong. Nearly £700m has been raised from the 23rd issue and this together with a heavy demand for index-linked certificates—Granny bonds—has pushed the National Savings beyond the £3.5bn target for the year to March 31 1982. Figures up to the end of February show National Savings has already raised £200m more than targeted.

Barry Riley

CAPITAL GAINS TAX

Tax base is partly corrected

MR DENIS HEALEY introduced CTT in 1974 to close the loopholes in Estate Duty for transfers at death; and to tax transfers during life at a lower but, nevertheless, positive effective rate. These intentions have been steadily eroded.

The estate can be split with a spouse. For privately owned businesses and for owner-occupied farms there is a 50 per cent valuation reduction—with no size limit in either case. For agricultural landlords there has been a 20 per cent valuation reduction since 1981. Businessmen, farmers and agricultural landlords can pay the tax, without interest, over eight years—a concession which more than halves the tax bill, at current inflation rates. The principle of lifetime cumulation has been replaced by a ten-year period.

All of these, plus the raising of the tax threshold, have meant that CTT has declined as a percentage of GNP; and that all but the very wealthiest can almost escape tax entirely. For 1982-83 even the absolute amount of tax is expected to fall, from £470m to £465m.

That is the result of raising the threshold by £5,000 to £55,000 and, much more significantly, the easing of the rate bands.

The new regime for settled property will be revealed in the Finance Bill. The proposal to extend rollover relief for Capital Gains Tax so that in future it will cover assets coming out of trust suggests that the changes will go some way towards resurrecting the discretionary trust as an avoidance device—although a decision not to reduce the periodic charge may point in the other direction.

But when the likely reliefs are added to the reduction in standard tax rate bands, the real tax burden has been reduced since 1975 up to quite high asset totals. Indexing the rates threshold in future would be more acceptable if the automatic increase in the real discrepancy between standard and favoured taxpayers had been avoided by introducing some upper limits for the business and agricultural reliefs, and for the interest-free instalment concessions.

Before 1962, despite the views of the Minority Report of the Royal Commission on the Taxation of Profits and Income, capital gains were not taxed at all. Short-term gains realised within a year were made part of the income tax base in 1962. In 1965 capital gains tax was introduced and longer-term gains became subject to a maximum rate of 30 per cent, as did the short-term gains. The personal exemption has increased over the years and before the Budget was £3,000 a year.

Advocates of a genuinely comprehensive income tax point out that capital gain as it accrues, not only when it is realised, is as much a part of income as are wages. But the UK tax system not only allows tax to be postponed until the gain is realised, with death not counting as a realisation, but sets much lower maximum rates than those levied on those fruits of investment which take tha form of income.

But if the tax rate on capital gains was too low, the contrary argument was that the tax base should be the real gain, and not the nominal gain as now. In meeting this point the Chancellor has at least not given in to the pressure for tapering—which would have made the tax relief proportional to the size of the gain, as well as making it inversely proportional to the period for which the asset was held. Inflation after April is to exclude from the taxable gains of individuals by reference to the RPI, provided ownership lasts for more than one year. In addition, there is to be an increase in the exempt amount from £3,000 a year to £5,000; and that threshold is, itself, to be indexed.

Thus, the Budget more than corrects the tax base downwards for inflation; but there is no proposal to correct the tax rates upwards as the "comprehensive income" argument would require.

Alister Sutherland

TELECOM BOND

State industry to face market disciplines

THE DECISION in principle to allow British Telecom to raise up to £150m by offering bonds to private investors marks the first occasion on which the Government has authorised a major nationalised industry to borrow directly from the capital markets since the debate on private sector financing started two years ago.

The Chancellor made clear that he regards the proposed issue, tentatively scheduled for the autumn, as an experiment. As well as testing City interest in nationalised industries as a form of investment, it is also hoped that the issue will expose British Telecom to the disciplines of the market.

The conditions attached to the bond by the Treasury are intended to provide an added incentive for British Telecom to improve efficiency. The Treasury is insisting that the organisation—whose increased productivity last year was due entirely to tariff increases—should raise its charges in 1982-83 by at least two percentage points less than the rise in the retail price index.

The Chancellor threw in for good measure a reminder that the Government's performance targets also require British Telecom to reduce its real unit costs by 5 per cent during the next financial year.

For British Telecom, the Chancellor's decision represents a long awaited breakthrough in its two-year campaign to persuade the Treasury to ease restrictions on its financing. Sir George Jefferson, the organisation's chairman, welcomed yesterday's anouncement as "an important step in this direction."

British Telecom wants to be able to borrow more flexibly to finance its ambitious programme of investment in the expansion and modernisation of its network and the introduction of new types of communications service. The programme has been accelerated since last year's Telecommunications Act paved the way for the entry of private competitors into the market.

The proceeds of the so-called "Buzby bond" will cover only a small fraction of British Telecom's planned investment during the coming year, which is expected to be well in excess of £2bn. But Sir George clearly hopes that he has established a principle on which he can build in the future.

Though the proposal to issue a bond was backed almost from the outset by the Industry Department, it encountered a succession of objections from the Treasury. Much of the dispute turned around the Treasury's concern that the Government guarantees attached to public sector borrowings might give British Telecom an unfair competitive advantage in issuing debt on what were supposed to be normal commercial terms.

The Treasury argued that, as a near monopoly, British Telecom might resort to increasing its charges to make good any shortcomings in its financial performance. To discourage this, it proposed that increases be limited to 5 per cent less than the rise in retail prices. This was eventually narrowed down to a 2 per cent differential.

Guy de Jonquieres

BASE LENDING RATES

A.B.N. Bank	13½%	Grindlays Bank	†13½%
Allied Irish Bank	13½%	■ Guinness Mahon	13½%
American Express Bk.	13½%	■ Hambros Bank	13½%
Amro Bank	13½%	Heritable & Gen. Trust	13½%
Henry Ansbacher	13½%	■ Hill Samuel	§13½%
Arbuthnot Latham	14 %	C. Hoare & Co.	†13½%
Associates Cap. Corp.	14 %	Hongkong & Shanghai	13½%
Banco de Bilbao	13½%	Knowsley & Co. Ltd.	14 %
BCCI	13½%	Lloyds Bank	13½%
Bank Hapoalim BM	13½%	Mallinhall Limited	13½%
Bank Leumi (UK) plc	13½%	Edward Manson & Co.	14½%
Bank of Cyprus	13½%	Midland Bank	13½%
Bank Street Sec. Ltd.	15 %	■ Samuel Montagu	13½%
Bank of N.S.W.	13½%	■ Morgan Grenfell	14 %
Banque Belge Ltd.	13½%	National Westminster	13½%
Banque du Rhone et de la Tamise S.A.	14 %	Norwich General Trust	13½%
Barclays Bank	13½%	P. S. Refson & Co.	13½%
Beneficial Trust Ltd.	14½%	Roxburghe Guarantee	14½%
Bremar Holdings Ltd.	14½%	E. S. Schwab	13½%
Bristol & West Invest.	15 %	Slavenburg's Bank	13½%
Brit. Bank of Mid. East	13½%	Standard Chartered	‖13½%
■ Brown Shipley	14 %	Trade Dev. Bank	13½%
Canada Perm't Trust	14 %	Trustee Savings Bank	13½%
Castle Court Trust Ltd.	14 %	TCB Ltd.	13½%
Cavendish G'ty T'st Ltd.	15½%	United Bank of Kuwait	13½%
Cayzer Ltd.	14 %	Whiteaway Laidlaw	14 %
Cedar Holdings	14 %	Williams & Glyn's	13½%
■ Charterhouse Japhet	13½%	Wintrust Secs. Ltd.	13½%
Choulartons	14 %	Yorkshire Bank	13½%
Citibank Savings	¶14 %		
Clydesdale Bank	13½%		
C. E. Coates	14 %		
Consolidated Credits	13½%		
Co-operative Bank	*13½%		
Corinthian Secs.	13½%		
The Cyprus Popular Bk.	13½%		
Duncan Lawrie	13½%		
Eagil Trust	13½%		
E.T. Trust	13½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16½%		
Robert Fraser	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11.00%. 1-month 11.25%. Short term £8,000/12 month 13.5%.
† 7-day deposits on sums of: under £10,000 11.00%. £10,000 up to £50,000 11¾%. £50,000 and over 12¼%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12%.
§ Demand deposits 11%.
¶ Mortgage base rate.

Companies and Markets

UK COMPANY NEWS

Comben drops to £4.1m but maintains dividend

SECOND-HALF 1981 taxable profits of Comben Group fell from £2.95m to £2m leaving full year figures of this estate developer and housebuilder lower at £4.1m, compared with £5.76m. Turnover for the 12 months rose slightly from £52.56m to £55.14m.

In the current year, sales levels have improved over the same period of 1981, although margins are still under pressure. Any improvement in results, however, will not show until the second half of this year.

Stated yearly earnings per 10p share were down by 4.1p to 10p, but an unchanged final dividend of 1.35p net maintains the total payment at 2.55p per share.

Interest charges for 1981 rose from £2.66m to £2.92m. Tax was higher at £959,000 (£599,000) and there was an extraordinary credit of £85,000 (£464,000 debit).

In current cost terms, pre-tax profits were £3.29m (£3.79m).

The company says the reduction in profits reflects the increased cost of financing developments and the need to allocate resources in the UK to provide schemes to assist house purchasers.

Overseas earnings were little changed at £1.05m, against £1.01m. The major contributor in 1981 was Portugal compared with France in 1980.

● comment

Comben's 29 per cent fall in pre-tax profits, the first dip since 1976, is entirely due to the deepening recession in the UK housing industry. Domestic sales were 200 units lower at 1,400. Overseas profits actually increased, with the Mitterand effect in France offset by a surge of activity in Portugal. As last year, there is no contribution from the Houston site, with Comben now waiting for a fall in U.S. interest rates. The company has no plans for further expansion overseas, and has four years' supply left in its UK land bank. The financing of new incentive schemes has slightly increased borrowings, with gearing 6 points higher at 58 per cent. Until recently Comben was budgeting for 1982 UK unit sales of 1,600 and profits of about £4.8m, but the double benefits of reduced interest and mortgage rates gives grounds for a reappraisal. After the figures the share price lost the 2p it had gained earlier in the week, to close at 47p, yielding 8 per cent on the maintained dividend.

Overseas expansion for SGB

OVERSEAS business is expanding at the SGB Group but the chairman of the international construction plant and services company is unable to forecast a profit rise for the group this year.

Mr Neville Clifford-Jones told the annual meeting yesterday: "We are doing increasingly well overseas. At home we are bumping along on the bottom, some companies doing a little better, some a little worse.

"The first four months of the year up to the end of January show that we are a little ahead of last year. But we are not sufficiently ahead that it could not disappear in one bad month so I am not really able to forecast an improvement at the half year, or for that matter at the full year."

The chairman said: "We have a very strong cash flow and that is continuing. Our dividend is well covered. However, we have a few tax problems."

He told shareholders that the group "was looking hard for a major acquisition in the UK but had been unable to find the right one." Areas for expansion abroad were likely to be North America and Australia, he said.

55 companies wound up

Compulsory winding up orders against 55 companies were made by Sir Robert Megarry, Vice-Chancellor, in the High Court on Monday. They were:

Powell Film Distributors, Forktone, Martin Richard (Office Equipment), Pagan, Falcon Fasteners, Monsea Construction, Advance Installations, Archway Garage (Longton).

Advance Fire Protection, Meteor Computers Consultants, John D. Hammersley, Wilde Rock Promotions Company, Blackwood Waste Paper, Choretone, Sterling Flowerland, Captron.

Walterhouse Associates, Avonmoon Builders, Nichols (Stratford), Sheerwater Construction, Jem Mouldings, Hanthorn Contracts (Southern), Convoyforce, R. A. Powell and Son (Sheet Metal Works).

Willowstock, Grayrush Investment Holdings, DHS Engineering Services and Supplies, Brorchard Farms, Ealing Civil Engineering Company, Dock Point Shotblasting, Mimbaco International, Amity Insurance Brokers.

John James (Blenders), Bramstone Ceramics, Harvel (Paper and Board), Speedex, SDD (Glendale Midlands), BSJ Fliot, Roberts of Warringtons, Phil Shaw, Vantral Motors.

PEP Engineering Company, BMG Pierce-All, Baohamline, Inter-City Pool, Whittle Aviation Sales and Promotions, Cheapergas (Sheffield), Allergold.

R and B Garages (Caerphilly), The House of Callistephus Catering Company, Anstens Reinsurance Agencies, Landway Securities, Imported Car Components, Worldwide Freight and Marketing, Murvickers Tugbarge Systems (UK).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ayer Hitam§ int.	50	Apr. 22	60	—	135
Comben Group	1.35	May 27	1.35	2.55	2.55
De Beers Consld. Mines‡	25	—	50	50	75
S. W. Farmer	6.1	July 1	6.1	9.17	9.17
Ldn. & S'clyde Tst. int.	0.8	May 21	0.8	—	2.2
Woodhouse & Rixson	0.9	—	0.5	1.4	1.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ South African cuts throughout. § Malaysian sen throughout.

Little change at Robinson Brothers

PRE-TAX PROFITS of Robinson Brothers (Ryders Green) were little changed at £233,000 against £223,000 in the year to January 2 1982. Turnover of this manufacturer of organic chemicals was down from £11.51m to £11.13m. The final dividend is unchanged at 5p for the same-again total of 10p.

The pre-tax profit was struck after a charge of £216,000 for obsolete plant written off, nil (£151,000) for redundancy costs and profit on the sale of investments amounting to £316,000 (£56,000 loss).

On a CCA basis, there was a pre-tax loss of £154,000 (£308,000).

Profit decline at IOM Enterprises

For the year ended October 31 1981 profits of Isle of Man Enterprises have fallen from £110,759 to £87,213. The taxable loss at half-time of this self-catering holiday company was more than doubled to £49,000.

Earnings per share for the year were down from 9.69p to 6.65p per 20p share. The dividend is held at 4p.

Turnover came to £390,131 (£379,520). After tax £6,630 (£6,977) and last time writing back £13,690 deferred no longer required, the net profit was £80,583 (£117,472).

On a CCA basis the attributable balance is shown at £72,529. The company is a subsidiary of Nicholson Investments.

Dixor-Strand £91,848 loss

In the year to September 30 1981 cosmetics manufacturer Dixor-Strand made taxable losses of £91,848, compared with £363,107 last time, on turnover £134,552 lower at £547,504.

With losses per 5p share of 1.1p (7.6p) the dividend is again being missed. The last distribution was made in respect of 1978.

After nil tax (£2,934 charge) and an extraordinary credit of £25,927 (£19,520 debit) the losses of this close company emerged at £66,551 (£385,551).

Yearlings at 13¼%

The interest rate for this week's issue of local authority bonds is 13¼ per cent, down half of a percentage point from last week and compares with 12¾ per cent a year ago. The bonds are issued at par and are redeemable on March 16 1983.

A full list of issues will be published in tomorrow's edition.

SPAIN

March 9	Price %	+ or −
Banco Bilbao	335	
Banco Central	349	−5
Banco Exterior	305	−5
Banco Hispano	320	−2
Banco Ind. Cat.	110	
Banco Santander	354	−9
Banco Urquijo	223	−4
Banco Vizcaya	399	−6
Banco Zaragoza	239	
Dragados	155	−6
Espanola Zinc	64	−1
Fecsa	59.5	−1
Gal Preciados	43	−2
Hidrola	62.7	−1.3
Iberduero	50.2	−0.3
Petroleos	95	−1
Petroliber	98	
Sogefisa	14	
Telefonica	70.5	−1.5
Union Elect.	63.5	

THE TRING HALL USM INDEX
117.0 (−0.1)
close of business 9/3/82
BASE DATE 10/11/80 100
Tel: 01-638 1591

LADBROKE INDEX
Close 560-565 (unchanged)

Woodhouse picks-up in second half

ELIMINATING ITS loss making operations, Woodhouse and Rixson (Holdings), the forgemaster, reversed the downward pre-tax profit trend of the first half and finished 1981 with a result some £23,000 higher at £607,000.

At mid-term a decline from £396,000 to £226,000 was reported and the directors said they expected a similar level of trading activity for the rest of the year in operation which remained.

Mr G. S. Baker, chairman, now says demand increased gradually during the second six months, and is now running at a sufficient level to ensure more satisfactory profits.

In view of the present trading situation, the total dividend is being held at 1.4p, with a final payment of 0.9p (0.5p) net.

The group's rationalisation programme has been completed, and borrowings continued to decline.

Turnover declined to £12.95m (£17m), mainly reflecting factory closures, while the tax charge was also lower, at £4,000 (£172,000), leaving earnings per 12½p share ahead from 4p to 5.9p.

Extraordinary debits of £420,000 (£398,000), included £376,000 of losses on disposals and £522,000 for losses arising on the discontinuance of leaf spring manufacture at Cocker Bros., less provisions already made. On a CCA basis taxable profits for 1981 are shown at £152,000 (£248,000).

● comment

With the shake out of loss makers complete, **Woodhouse and Rixson (Holdings** has entered 1982 slimmer, fitter and concentrating on its profitable forging, rolled rings and flanges activities. Disposals, including the £100,000 sale of the group's head office, and some stock trimming have enabled borrowings to be pulled back sharply from the disturbing peak of 75 per cent of equity funds, seen two years ago, to a manageable 18 per cent. Though the moderately improved level of demand recorded in the second half of last year, has been maintained a short order book of only four or five weeks makes the company—while optimistic—relucant to make any specific forecasts yet. However, with all slimming costs now out of the way and substantialy lower interest charges in prospect, the performance of the remaining businesses will be able to show through more strongly. In response to the outlook the shares rose 2p to a 12 month high of 22½p for a fully taxed p/e of over 7.

Manganese loss cut at midterm

TAXABLE LOSSES of Manganese Bronze Holdings fell from £637,000 to £182,000 in the first half to January 31 1981 on increased turnover of £16.59m, compared with £15.84m.

Mr Dennis Poore, chairman of this industrial holding company, says that despite the continuing recession, he views the future with more confidence than the "all-pervading gloom at this time last year." The group will continue to base policy on improving liquidity and the maximum practicable reduction of central debt.

The trading profit of £217,000 (nil) for the six months have not improved to the extent expected at the time of the annual report, because of a sudden major deterioration in the trading position at the Deans and Light-alloys division of Alpax, he says.

"It appears that local authorities, in pursuance of increasing governmental pressure to reduce expenditure, have cut back demand for new public transport vehicles which would have used doors and other equipment made by Deans. Regrettably, a substantial redundancy has therefore become necessary, the first of its kind at this factory in living memory."

Since the annual meeting the financing arrangements for a new London taxicab, planned to be made at Carbodies for introduction in 1984, has been virtually completed without the addition of any direct debt to the group balance sheet.

The sale of the Caplin Engineering business has been completed in furtherance of the policy of concentration on mainstream activities. Planning consent for redevelopment of the vacated part of the Patent Die-Castings factory has been confirmed and completion of its sale at £325,000 is expected shortly. These improvements in liquidity are expected to allow early repayment of the £600,000 instalment due to Finance for Industry in September, Mr Poore says.

BSA Guns remains a serious problem area, as also to a lesser extent do the companies principally concerned with supplying the automotive industry. The position of the other companies, however, has improved significantly since last year. Most sections are busy with good order books; in some cases, even a measure of overtime has been justified.

The pre-tax losses were struck after depreciation of £385,000 (£421,000), leasing of £81,000 (same), redundancy and termination payments (net of Government reimbursement) of £102,000 (£231,000) and interest paid of £297,000 (£406,000).

In the last 12 months audited taxable losses of £961,000 (£540,000 profits) were incurred on turnover of £32.47m (£39.68m). A single dividend payment of 2.17p net (same) was made per 25p share, with a scrip option in lieu of a cash payment.

● comment

Hopes that the contraction process at Manganese Bronze had ended last year have proven too optimistic. The group has finally given up on Caplin, which was in the promising business of making slicing machines for silicon chips but never found enough customers. Elsewhere, trading is still mainly weak but the group should at least break even in the full year. The one cause for excitement must be the recent arranging of financing for Carbodies' new taxi with the Government and Mann and Overton. Due to be launched in the spring of 1984, the next taxi will meet all European specifications, and export hopes are high. At 28p, up 1p, the market capitalisation of MB is £3.1m. Assuming the dividend is maintained, the yield is 11 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—R. Green Properties, Harmony Gold Mining.

Finals—Alcan Aluminium (UK), British Aluminium, Lunuva (Ceylon) Tea and Rubber Estates, Schroders, Stag Furniture, Tube Investments, F. W. Woolworth.

FUTURE DATES

Interims—	
Bell (Arthur)	March 23
Chambers and Fargus	March 15
Manson Finance Trust	March 26
Mucklow (A. and J.)	March 16
Pressac	March 16
Finals—	
Boddingtons Breweries	March 16
Bowthorpe	March 31
Brooks Watson	March 11
CSC Investment Trust	March 12
Conder International	March 12
Coreh	March 17
Dreamland Electrical Appl.	March 30
East Lancashire Paper	March 11
Exeter Building and Constrn.	March 22
Hewitt (J.) (Fenton)	March 17
Lancaster (D.M.)	March 15
Lane (Percy)	March 24
Mackay (Hugh)	March 17
Metalrax	March 15
Montfort (Knitting Mills)	March 19
Nichols (J.N.) (Vimto)	March 24
Penlos	March 11
Rosedimond Investment Tst.	March 11

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1981-82 High	1981-82 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
125	100	Ass. Brit. Ind. CULS	125	—	10.0	8.0	—	—
75	62	Airsprung	72	—	4.7	6.5	11.4	15.8
51	33	Armitage and Rhodes	45	—	4.3	9.6	3.8	8.5
205	187	Bardon Hill	198	—	9.7	4.4	9.6	11.7
106	100	CCL 11pc Conv. Pref.	106	+1	15.7	14.8	—	—
104	65	Deborah Services	66	−1	6.0	8.2	3.2	6.1
131	97	Frank Horsell	128	−2	8.4	5.0	11.5	23.7
83	39	Frederick Parker	81	—	6.4	7.9	4.1	7.9
78	46	George Blair	52	—	—	—	—	—
102	93	Ind. Precision Castings	95	—	7.3	7.7	6.8	10.3
107	100	Isis Conv. Pref.	107	+1	15.7	14.7	—	—
113	94	Jackson Group	96	—	7.0	7.3	3.0	6.8
130	108	James Burrough	112	—	8.7	7.8	8.2	10.3
334	248	Robert Jenkins	250	—	31.3	12.5	3.5	8.8
62	51	Scruttons "A"	62	+1	5.3	8.5	8.5	8.9
222	159	Torday and Carlisle	159	—	10.7	6.7	5.1	8.5
15	10	Twinlock Ord.	13½	—	—	—	—	—
80	66	Twinlock 15pc ULS	78	—	15.0	19.2	—	—
44	25	Unilock Holdings	25	—	3.0	12.0	4.5	7.6
103	73	Walter Alexander	77	—	6.4	8.3	5.1	8.0
263	212	W. S. Yeates	225	—	13.1	5.8	4.3	5.7

Prices now available on Prestel page 48146.

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Ordinary Yearly General Meeting

Notice is hereby given that the Ordinary Yearly General Meeting of the shareholders of the Bank will be held in the City Hall, Hong Kong, at 12 noon on Friday 14 May 1982 to transact the following ordinary business:

1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1981;

2 to elect Directors; and

3 to appoint Auditors and fix their remuneration
and to consider and (if thought fit) pass the following Ordinary Resolutions by way of special business:

4 That:

(a) it is desirable to capitalise the sum of HK$1,299,939,645 from the reserve fund of the Bank by a charge to the Share Premium Account and that accordingly the said sum be capitalised and applied in payment in full for 519,975,858 unissued shares of the Bank of HK$2.50 each;

(b) such new shares, credited as paid-up, be distributed among the shareholders who on 14 May 1982 were registered shareholders of the Bank in the proportion of one new share for every three shares then held by them respectively;

(c) such new shares shall in all respects rank *pari passu* with the existing shares of the Bank, except that they shall not rank for dividends for the year ended 31 December 1981; and

(d) the Board be and is hereby authorised to allot and issue such new shares for distribution in the manner and proportion aforesaid, but so that shares representing fractions shall be sold and the net proceeds retained for the benefit of the Bank.

5 That a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding three *per cent* of the issued share capital of the Bank.

By Order of the Board
F. R. Frame
Secretary

Hong Kong, 9 March 1982

S. W. Farmer in the red despite second half rally

A BIG improvement in the second half, when pre-tax profits increased from £443,000 to £739,000, was not sufficient to prevent S. W. Farmer Group falling into the red for the whole of 1981. There was a loss of £34,000 against profits of £1.02m.

Turnover of this manufacturer of structural steelwork and platework rose from £15.41m to £21.38m. The final dividend is unchanged at 6.1p for a same-again total of 9.169p.

Mr Brian Farmer, the chairman, says market conditions have never been harder and, in general, they continue to be poor. However, there have been some substantial breaks in the gloom resulting in a "very satisfactory" result for the second six months.

He says the company entered 1982 with the highest level of orders ever taken into a new period. The vast majority of the work is required for this year so the company could be able to maintain its momentum. Much of this business, he adds, has been obtained in export markets on a foreign currency basis where favourable currency movements have been to its considerable advantage.

While the economic situation is uninspiring, the company is learning to live with a tighter environment, but nevertheless, margins are depressed below reasonable limits. The financial position has remained very strong and the company entered the year with a substantial bank balance and with no borrowings.

Mr Farmer says that while the future is too uncertain to predict, the company has ability to make further progress.

At the year-end, there was a tax credit of £36,000 (£368,000 charge), and there was also a credit of £557,000 (£500,000) being the release of deferred tax, leaving a net surplus of £559,000 (£1.15m). Retained profits emerged at £337,000 compared with £917,000. Stated earnings per 25p share after normal tax charge were nil (26.14p) and after stock release, 22.1p (46.28p).

Countryside Properties expects further record

THE OUTLOOK for the current year at Countryside Properties is most encouraging, Mr Alan H. Cherry, chairman and managing director, told the annual general meeting. He said that since the report and accounts for 1981 were issued, the group's business has continued to make further progress.

Profits for the first half are expected to be only a little above those achieved in the comparative period last year, but he said that providing there are no unforeseen delays, the completions of commercial property developments and new housing sales forecast for the year should result in another year in which the group achieves record turnover and profits.

Mr Farmer said the housing market has generally been only steady at best, but there have been signs of improvement in recent weeks. He said the prospects of a further reduction in mortgage rates, it was believed, would stimulate both demand and prices which should benefit the group's new housing programme.

It is expected the group will soon be starting development of housing schemes in the London Docklands area which will enable it to offer new homes located within a short distance of the City of London.

He said the group's commercial and industrial development programme included sites being developed, as well as sites being acquired, for office, shopping and industrial schemes. When completed, these were expected to have a total value of £25m at today's prices.

The programme includes a site for 60,000 sq ft of industrial development in a prime location in South-west London.

In the year to September 30, 1981, the group improved its pre-tax profits from £903,000 to £1.32m on takeover up from £14.5m to £16m. At the time, the directors said both figures were records.

ENERGY FINANCE

Acceptances have been received in respect of 2,823,038 new ordinary shares (approximately 66.4 per cent of the new ordinary shares offered by way of rights) in Energy Finance and General Trust Holdings.

Scottish Mutual funds grow

The value of long-term funds of the Scottish Mutual Assurance Society rose by over £40m in 1981 from £268m to £309m by the end of the year. Annual premium income improved 5 per cent from £34.5m to £36.2m and investment income by 30 per cent from £28.5m to £37.2m. But single premiums declined by more than 5 per cent from £6.2m to £5.9m. Payments to policyholders rose 37 per cent to £24.1m, while expenses increased by 12½ per cent to £9.4m.

Mr H. A. Wilson, in his first chairman's review, attributes the strong growth in investment income to the Society investing heavily in gilts, for the high yields obtainable. Investment in equities was low, with the company being unenthusiastic for the immediate prospects for these investments. He felt it difficult to visualise any sustained advance in the equity market until a strong recovery in business profits was evident.

The market value of gilt holdings during last year rose from £138m to £176m, while equity holdings declined slightly from £91m to £90m.

new investments.

Mr Wilson points out that though property investments are affected by the same factors as affect equities, the acquisition of a property portfolio could not be accomplished rapidly. So the Society considered it desirable to continue to build up its property portfolio.

GROVEBELL PREF.

Because of the provisions of the Companies Act 1980, Grovebell Group is unable to declare a dividend on its preference shares, due March 31.

The dividend for the half year, amounting to £8,055.00 before tax, will continue to accrue.

Newman Industries'

Mr John Williams has resigned his position as chairman of Newman Industries, with effect from March 2. As stated in February, Mr Williams stepped down as soon as the merger of Newman with Weymek was carried through.

Mr Nigel McLean, Newman's chief executive is acting as chairman, but the appointment of a successor to Mr Williams is being deferred—pending a refinancing of the company.

Scottish Cables

Scottish Cables, the South African electric cables manufacturer which is 58 per cent-owned by BICC, increased operating income to R8.9m (£4.9m at current rates) in 1981 from R7.8m in 1980.

The company benefited from a continuing high level of spending on infrastructure. Capital expenditure of R2.75m was necessary to allow the company to keep abreast of technical developments and demand.

LONDON TRADED OPTIONS

Mar. 8 Total Contracts 1,903 Calls 734 Puts 1,169.

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP (c)	260	20	57	—	—	—	—	274p
BP (c)	280	9	10	18	—	25	—	"
BP (c)	330	1½	10	5	—	9	—	"
BP (p)	260	2	52	—	—	—	—	"
BP (p)	280	22	1	28	2	30	5	"
BP (p)	300	42	3	44	2	46	2	"
BP (p)	330	72	10	74	—	75	—	"
BP (p)	360	102	20	104	—	—	—	146p
CU (c)	130	17	—	18	1	25	2	"
CU (c)	140	9	27	13	50	17	—	"
CU (c)	160	4	5	2	2	11	—	"
Cons. Gld (c)	390	10	3	22	1	30	—	372p
Cons. Gld (c)	420	4	—	16	2	20	1	"
Cons. Gld (p)	360	13	33	22	—	24	—	"
Cons. Gld (p)	390	30	1	37	3	40	—	"
Cons. Gld (p)	420	55	—	55	—	55	1	"
Cons. Gld (p)	460	95	—	95	1	95	—	82p
Ctlds. (c)	60	28	—	28	5	—	1	"
Ctlds. (c)	80	2	—	12½	2	13½	2	"
Ctlds (c)	90	3	6	5½	2	2½	1	815p
GEC (c)	800	40	—	56	—	84	—	"
GEC (c)	850	13	12	40	—	60	—	"
GEC (p)	800	17	18	22	1	30	—	"
GEC (p)	850	44	20	52	10	60	—	"
Gr'd Met. (c)	200	13	7	18	1	24	—	202p
Gr'd Met. (p)	160	2	6	2½	5	—	—	"
Gr'd Met. (p)	180	3	6	7	—	9	—	"
Gr'd Met. (p)	200	10	23	14	5	19	—	"
ICI (c)	300	44	2	52	1	60	—	388p
ICI (c)	330	20	35	33	3	40	—	"
ICI (c)	360	8	18	14	12	24	—	"
ICI (p)	280	2½	1	4	—	—	—	"
ICI (p)	300	3	—	8	6	9	—	"
ICI (p)	330	10	2	14	3	20	—	"
ICI (p)	360	24	27	30	—	34	1	"
Land Sec. (c)	300	38	—	27	2	37	—	315p
Land Sec. (c)	330	8	1	13	3	22	2	141p
Mks & Sp. (c)	120	24	—	26	2	—	—	"
Mks & Sp. (c)	130	15	4	17	2	22	—	"
Mks. & Sp. (c)	140	8½	2	12	21	14½	—	340p
Shell (c)	300	42	2	—	—	—	—	"
Shell (c)	330	17	5	25	—	38	—	"
Shell (p)	330	13	18	20	5	92	—	"
Shell (p)	360	36	1	38	—	42	3	"
		May		August		November		
Barclays (c)	460	45	—	67	—	27	1	503p
Barclays (c)	500	15	1	37	—	65	—	"
Barclays (p)	460	7	—	17	25	20	—	"
Barclays (p)	500	22	1	27	17	39	9	"
Imperial (c)	70	18½	8	21½	—	—	—	87p
Imperial (c)	80	9½	187	14½	10	16½	—	"
Imperial (c)	90	4½	28	7	96	8	1	"
Imperial (p)	80	2½	20	3½	250	2½	—	"
Imperial (p)	90	3½	300	5	30	7	—	"
Lasmo (c)	300	15	—	25	5	37	—	282p
Lasmo (c)	330	7	1	16	—	—	—	"
Lonrho (c)	70	10	—	11	20	13	—	76p
Lonrho (c)	80	4	2	6½	—	7½	20	"
Lonrho (p)	80	7	4	8	—	10	10	126p
P & O (c)	130	6	13	11	—	16	—	"
P & O (c)	140	3	16	8	6	—	—	353p
Racal (c)	360	17	19	30	4	43	—	"
Racal (c)	420	3	8	12	—	—	—	"
Racal (p)	360	20	88	23	—	25	—	"
Racal (p)	390	40	10	42	4	45	—	"
Racal (p)	420	70	1	72	—	—	—	"
RTZ (c)	420	61	3	39	—	48	5	414p
RTZ (c)	460	11	—	30	4	32	—	"
RTZ (p)	390	10	4	13	3	—	—	"
RTZ (p)	420	22	33	35	2	37	1	"
RTZ (p)	460	60	—	32	—	35	1	"
Vaal Rfs. (c)	50	1½	—	2	—	3	—	"
Vaal Rfs. (p)	40	3¼	29	4¾	1	5¼	5	$39
Vaal Rfs. (c)	40	4	10	3	—	6½	1	"
Vaal Rfs. (p)	45	6	12	6¾	—	7½	—	"
Vaal Rfs. (p)	55	16	1	15	—	16	—	"
Vaal Rfs. (p)	60	21	5	21	—	—	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$325	103	19 B	—	—	—	—	$329.0
GOLD C	$350	38	10	43	21	3	60	"
GOLD C	$375	38	3.10	33	12 B	9	20.50	"
GOLD C	$400	69	1.50	10	2	1	13.60	"
GOLD C	$425	70	0.60	4	3.50	—	—	"
GOLD C	$450	20	0.50	—	—	—	—	"
GOLD P	$325	143	13	39	15 A	20	17	"
GOLD P	$350	244	25 A	92	26	7	60	"
GOLD P	$375	165	47	49	43	1	46	"
GOLD P	$400	1	72	309	72	—	—	"
GOLD P	$425	20	87 A	—	—	—	—	"
19¾ NL 81 87-91								
C	F.107.50	—	—	7	3.90	—	—	F.110.30
C	F.110	3	1.50	520	1.80	613	2.50	"
P	F.107.50	53	0.20	—	—	300	1.70	"
P	F.110	—	—	—	—	—	—	"
12 NL 81 85-88								
C	F.102.50	—	—	13	2.70	—	—	F.104.50
10¾ NL 80 85-95								
C	F.97.50	—	—	19	4.50	—	—	F.101.20
C	F.100	6	2	—	—	—	—	"
11¼ NL 82 88-92								
C	F.102.50	20	1.20	240	1.60	—	—	F.102.70
		April		July		Oct.		
AKZO C	F.25	8	4	—	—	20	5	F.28.30
AKZO C	F.30	10	0.50	64	1	15	1.50	"
AKZO P	F.25	—	—	10	0.50	—	—	"
AKZO P	F.27.50	10	0.50	—	—	—	—	"
AKZO P	F.30	10	1.70	—	—	—	—	"
HEIN C	F.50	21	4.20 B	—	—	—	—	F.53.70
HEIN C	F.35	70	1	—	—	—	—	"
HEIN P	F.50	—	—	9	2	—	—	"
KLM C	F.90	63	17.50 B	—	—	—	—	F.107.20
KLM C	F.100	60	2.50	31	13.80	—	—	"
KLM C	F.110	148	3.20	133	8.50	—	—	"
KLM C	F.120	130	2.80	—	—	—	—	"
KLM P	F.80	10	0.30	—	—	—	—	"
KLM P	F.90	36	1	15	1.90	—	—	"
KLM P	F.100	50	9.40	31	4.50	—	—	"
KLM P	F.110	—	—	14	2.70	—	—	"
NEDL C	F.110	25	6.20	—	—	—	—	F.112.70
NEDL C	F.120	23	2.50	—	—	—	—	"
NEDL C	F.140	—	—	20	0.80	—	—	"
NEDL P	F.110	32	3	12	8.20	—	—	"
NEDL P	F.120	34	2	10	17	—	—	"
NATN C	F.110	—	—	7	5	—	—	F.107.90
PHIL C	F.20	398	3.80	—	—	—	—	F.23.50
PHIL C	F.22.50	61	1.60	195	2.30	12	2.50	"
PHIL C	F.25	138	0.50	515	1	64	1.30	"
PHIL P	F.22.50	332	0.70	10	0.80	—	—	"
PHIL P	F.25	10	2	—	—	—	—	"
RD C	F.70	100	5.40	93	6.40	8	8	F.73.40
RD C	F.80	428	1.10	55	2.60	68	5.10	"
RD C	F.90	67	0.30	110	1	9	1.70	"
RD P	F.70	111	1.60	266	5	15	3.40	"
RD P	F.80	469	6.80	—	—	12	9	"
RD P	F.90	10	16.50 B	—	—	7	18 B	"
UNIL C	F.160	20	7.80	—	—	—	—	F.166.50
UNIL C	F.180	—	—	7	2.60	—	—	"
UNIL P	F.150	120	1.40	—	—	—	—	"
UNIL P	F.160	47	6.80	—	—	—	—	"
		May		Aug.		Nov.		
BOEI P	$20	10	9	—	—	—	—	$18⅛
SIEM C	DM.220	20	6	—	—	—	—	DM228.20
SLUM C	$50	7	¾	—	—	—	—	$40

TOTAL VOLUME IN CONTRACTS: 8143

A=Asked B=Bid C=Call P=Put

Maddock plans new capital structure for survival

BY RAY MAUGHAN

SHAREHOLDERS and stockholders in Maddock, described as a holding company since its earthenware and fine bone china operations ceased in November 1980, will receive details of a proposed recapitalisation scheme in the near future.

Mr Malcolm Holt, chairman, told shareholders in the accounts for the year to June 30 1981 that Maddock has been unable to pay the interest due on the 7½ per cent unsecured loan stocks and "future payments are also in doubt." The group has a deficit of £519,000 on shareholders' funds and a new capital structure is "essential to achieve the survival of the company and to promote future growth."

The loan stock has been increased to nominal value at a cost of £254,000 which is added to previously reported group losses of £1.87m. However, Maddock has re-stated its investment in TPG (Investments), formerly Thomas Poole and Gladstone China, which entails a write-back of £613,000.

This re-statement follows the Judgement on Appeal, quoted at length in the accounts, which resulted from the court action initiated by Prudential Assurance against, inter alia, TPG. The judgement substantially reversed an earlier ruling in the High Court against TPG, Mr Alan Bartlett and Mr John Laughton.

Mr Holt points out that the original litigation referred to transactions which had taken place before the company made its public offer for TPG in March 1977.

The accounts draw a qualification from the auditors that comparative figures and a source and application of funds statement have not been included. Accounts for the year to June 30, 1980 were not available, the group explains, because the earthenware and bone china subsidiaries, John Maddock and Sons and Royal Stafford China, were voluntarily wound up in June 1980. In addition the High Court verdict led the group to believe that its 84.8 per cent owned offshoot, TPG, was insolvent.

Unlisted investments are shown at a written down value of £134,375. They consist of the £300,000 nominal of 10 per cent convertible loan stock in Gridbrooke, a Bristol-based finance company, the major part of whose funds were invested in Strongpoint, a private company which had been controlled by Mr Bartlett and Mr Laughton. Mr Holt comments that "it is not possible to determine at present the realisable value of the group's investment in Gridbrooke."

Maddock is still seeking to implement the effective exchange of the Strongpoint shares in TPG, which account for the 15.2 per cent of TPG not owned by Maddock, for the Gridbrooke loan stock. "It is not possible to determine when or if such exchange can be consummated," Mr Holt warns.

Maddock is still responsible for the unpaid VAT of its former John Maddock and Sons subsidiary and, while provision has been made for the estimated liability, "the amount has not been finally agreed with HM Customs and Excise."

Certain former directors of Maddock have guaranteed jointly and severally with the group part of the overdraft facilities of John Maddock and Son. "In so far as these amounts have been called in, the former directors have counter-claimed against Maddock and the amounts claimed have been off-set against amounts which these directors owed to the group," Mr Holt explains.

However, the board hopes that a satisfactory completion of the capital reconstruction will enable the company to make application to the Stock Exchange for lifting the suspension in both shares and stock.

ESTATES & AGENCY SHARES PURCHASE

Mr John Rosefield, chairman of Estates and Agency Holdings, has notified the company that on March 1 1982 Rosedimond Holdings of which he is a director and substantial shareholder, purchased 25,000 ordinary shares of Estates and Agency.

Rosedimond now holds 1,630,618 shares, 27.2 per cent of the issued share capital and 26.7 per cent of the voting rights.

Mr Rosefield, his immediate family, and other associates are now interested in 1,899,118 ordinary shares and 14,500 3½ per cent cumulative preference shares, each together representing 31.3 per cent of the voting rights of the company.

CUMNOCK KNITWEAR

Cumnock Knitwear Holdings is to acquire Bond Street Fabrics, Robert Mackie and Co (Knitwear) of Stewarton, and John Ford and Co (Auchtermuchty) from Auchinleck Investment Company with effect from March 12.

The five factories in the group will operate from that date as a new Scottish textile group under the present directors of BSF.

SOCIETE GENERALE

Societe Generale Holdings, which holds more than 90 per cent of the shares of Tanks Consolidated Investments, has made an offer for the 1.48m 9 per cent cumulative preference shares in Tanks at a 35 per cent premium to the shares' market price.

The independent directors of Tanks have agreed to SG Holdings' offer of 130p cash per preference share. The shares closed at 96p on Tuesday.

INGRAM SELLS LONDON PARCELS

Harold Ingram has sold its subsidiary, London Parcels, to Weston Freight, a private company, for £75,000 cash.

Mr Harold Ingram, chairman and managing director, said that the very bad winter months set the company back to a point where he felt the board could not continue to contain the further increased losses that resulted.

The decision was influenced by the fact that business in the group's traditional knitwear market is still proving difficult, although there is evidence of an upturn for the autumn.

BRENGREEN BOARD CUT HOLDINGS

On March 3 directors of Brengreen (Holdings) sold 1.475m ordinary shares (including 650,000 shares held non-beneficially). The sales went through at a price of 45½p, 2p below the price then ruling in the market, and realised approximately £0.67m.

Mr David Evans, Brengreen's chairman, sold 550,000 shares, reducing his holding to about 7.7 per cent. Two other directors sold 275,000 shares between them.

After these disposals, the total holdings of directors in Brengreen amount to just under a quarter of the ordinary shares (including 14.4 per cent held as trustees). In December 1981 Mr Tony Berry sold 716,000 shares after resigning from the Brengreen board.

Mr Evans said yesterday that the shares had been sold to meet financial commitments entered into when taking up earlier rights issues. It had always been expected that the shares would eventually be sold. He understood that the shares, amounting to just over 4.6 per cent of Brengreen, had been placed with a single institutional investor.

Holmes a Court to meet Panel

The Takeover Panel is to meet Mr Robert Holmes à Court early next week to discuss with him the manner in which TVW Enterprises, an associate of Mr Holmes à Court's master company, Bell Group acquired 925,000 non-voting shares in Associated Communications Corporation at the end of last week. Mr Holmes à Court's associates purchased these shares at prices ranging up to 95p each thus effectively pre-empting the existing offer for ACC worth 85p per non-voting share.

In line with the City Code, which stipulates that a general offer is made at the highest price at which a bidder buys shares in the market, Mr Holmes à Court has lifted his terms to 95p. The panel has asked for more information from the Australian stockbroking firm, Potter Partners, which initially handled the buying order and the panel is also concerned that Bell Group appoints financial advisors in London.

Yelverton acquiring Oak Resources

Yelverton Investment has agreed terms with Oak Resources for the acquisition of the remaining 60 per cent of Oak share capital not already owned by Yelverton. Oak is a private Canadian investment company with two substantial unquoted investments in Canadian companies and cash in excess of £400,000.

The terms are two Yelverton ordinary shares for every three ordinary shares in Oak. Holders of more than 20 per cent of Oak have already agreed to accept the offer. On full acceptance this will involve the issue by Yelverton of 2m ordinary 5p shares.

The directors of Yelverton recently postponed their application to the Stock Exchange for a listing on the Unlisted Securities Market. The acquisition of Oak will remove a substantial unquoted investment with no yield from the balance sheet of Yelverton and after Oak's cash has been invested it will also add considerably to the recurring profits of the company.

It is proposed to re-apply to the Stock Exchange once the interim accounts of Yelverton for the six months ending April 30 1982 are available.

Mr D. Graham, Mr J. Barbeau, Mr C. Thomas and Mr J. D. Slater, will be resigning as directors of Oak. Mr T. T. Watson will remain as a director and will be joined by the chairman of Yelverton, Mr G. B. Hall.

Queens Moat spends £0.8m in hotel deal

Queens Moat Houses, the hotel group and caterer, has bought the Copdock Hotel in Ipswich, Suffolk for £780,000 cash.

The deal has been completed while Queens Moat continues to work out the financing arrangements for its £30m purchase of 26 hotels from Grand Metropolitan. Queens Moat said yesterday that the Copdock deal had been under negotiation long before the Grand Met talks began.

Copdock is a modern 47-bedroom hotel which has large conference and banquetting facilities. It is the principal asset of Copdock Hotel International, a privately-owned group which Queens Moat has bought.

Queens Moat has raised a £0.5m medium-term loan to finance the purchase, with the balance to be paid out of cash flow.

The new hotel will be renamed the Ipswich Moat House. A Queens Moat official said no other deals are under negotiation at the moment, pending the conclusion of the GrandMet deal, but "that will not be our last expansion by any means or manner."

A circular on the full details of the GrandMet financing proposals will be sent to shareholders shortly. The board intends to apply for a re-listing of the company's shares immediately following the issue of the circular.

SECURICOR BUYS HYLANDS HOTEL

Securicor Group has exchanged contracts to purchase the Hylands Hotel in Coventry, with completion due on March 15.

The consideration of £875,000 is to be satisfied by 429,126 "A" ordinary shares which have been placed by Cazenove and Company, mainly with institutional investors.

The acquisition complements the group's hotel at Richmond Hill. The Hylands Hotel, which has 63 rooms, has been purchased as a going concern and will continue to operate as a commercial hotel.

SHARE STAKES

Powell Duffryn — The Kuwait Investment Office holds an interest in 2.98m ordinary shares (9.522 per cent).

Whatlings — Mr J. Robertson, director, disposed of 50,000 shares.

Stockholders Investment Trust — W. J. R. Govett, director, disposed of 50,000 ordinary shares.

COMPANY NOTICES

OLYMPUS OPTICAL COMPANY, LTD.
(OLYMPUS KOGAKU KOGYO KABUSHIKI KAISHA)

S. G. WARBURG & CO. LTD., as Depositary, announce that a dividend of Yen 5.50 per Common Share of Yen 50 has been paid to shareholders on the books of the above Company as at 31st October, 1981, in respect of the six months' period ended on that date. As a result the Depositary Shares are entitled to a dividend of Yen 110 which converted at the Exchange Rate ruling on 24th February, 1982, of Yen 234.80 = U.S.$1.00 — produces U.S.$0.468 per Depositary Share.

After adding the fractional amount brought forward from the last dividend, in accordance with paragraph 12 of the Bearer Depositary Receipt, coupons will be paid at the following rates per Depositary Share:—

Under deduction of 15% Japanese Withholding Tax = U.S.$0.40.
Under deduction of 20% Japanese Withholding Tax = U.S.$0.37.

A fractional amount of U.S.$0.003358 per Depositary Share is withheld and will be added to the next dividend when paid.

Holders of Bearer Depositary Receipts may present for payment Coupon No. 33 which becomes payable on 10th March, 1982, at S. G. Warburg & Co. Ltd., Coupon Department, St. Albans House, Goldsmith Street, London EC2P 2DL, or at the offices of any of the undermentioned Sub-Depositaries subject to deduction of Japanese Withholding Tax and Income Tax (if any) at the appropriate rates. Details of tax deductions may be obtained from the Depositary or Sub-Depositaries.

SUB-DEPOSITARIES

The Bank of Tokyo, Ltd.,	Brussels, Belgium
The Bank of Tokyo, Ltd.,	Paris, France
The Bank of Tokyo, Ltd.,	Dusseldorf, Germany
The Bank of Tokyo Trust Company,	New York, U.S.A.
Algemene Bank Nederland N.V.	Amsterdam, Netherlands
Banque Generale de Luxembourg S.A.,	Luxembourg

30, Gresham Street, London EC2P 2EB.
10th March, 1982.

S. G. WARBURG & CO. LTD., as Depositary.

GESTETNER HOLDINGS PLC

Bearer shareholders should lodge coupons 113 with Barclays Bank PLC (Securities Services Department), 54 Lombard Street, London EC3P 3AH in respect of the final dividend declared on 20th January 1982. Bearer dividend shareholders should lodge three clear days before 2nd April for 5.5% dividend. Bearer capital shareholders should lodge (with allotment instructions) on or after 3rd April for 0.28% dividend and new capital shares as follows:

	Ord. cap.	"A" Ord. (non-voting) cap.
Based on the average price of	52.676p	52.676p
For each share held holders will receive	0.035391 of a share	0.035392 of a share

Fractions of new shares will be sold for the benefit of the Company.

NEDLIBRA FINANCE B.V.
US$25,000,000 Guaranteed Floating Rate Notes due 1993
Guaranteed on a subordinated basis by
LIBRA BANK LIMITED

For the three months 10th March 1982 to 10th June 1982 the Notes will bear an interest rate of 14¹⁄₁₆% per annum and the coupon amount per US$100,000 will be US$3,689.58.

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CONTRACTS AND TENDERS

KINGDOM OF MOROCCO

OFFICE NATIONAL DE L'EAU POTABLE
SUPPLY OF DRINKING WATER TO THE TOWN OF AGADIR

Rectifications:

(a) International call for Tender No. 24/DE/81 (Contract: Pipes)

(b) International preselection advice No. 29/DE/81 (Contract: Purifying Plant)

1 — New closing date: Wednesday, 21st April, 1982.
2 — The selection will be held publicly on 23rd April, 1982. It will open at 10.00 a.m. in the conference room of the O.N.E.P. Building, Division Equipement, Quartier Administratif, Rabat, Morocco.
3 — The bids may be handed to the president of the Selection Committee at the opening of the public selection session.

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LEGAL NOTICES

FIRST CHICAGO ASSET MANAGEMENT CORPORATION
PREVENTION OF FRAUD (INVESTMENTS) ACT 1958

NOTICE IS HEREBY GIVEN that:
1. FIRST CHICAGO ASSET MANAGEMENT CORPORATION ... Buildings ... has relinquished ... having ceased trading in the United Kingdom.
2. FIRST CHICAGO ASSET MANAGEMENT CORPORATION has made application to the Department of Trade pursuant to Regulation 5 of the Prevention of Fraud (Investments) Deposit Regulation 1944 ... for the release of the Five Hundred Pounds deposited in pursuance of Section 4 of the Act.
3. Any persons having a claim on the funds ... should send their names and addresses and details of their claims to the Secretary, Companies Division, Department of Trade, Sanctuary Buildings, Great Smith Street, London SW1, not later than 31 March 1982.

In the matter of East African Airways Corporation and in the matter of the Companies Act 1948.
Notice is hereby given that Christopher Morris of Touche Ross & Co., ... Hill House, 1 Little New Street, London, EC4A 3TR, the Liquidator in England of the above Corporation ... intends at the expiration of 28 days to make application to the court for an order that his account to the Liquidator of the Corporation in Kenya ... Any creditor of the Corporation having objection ... requested ... to the said ... March 1982 ... and surnames, full address and description, full particulars of debts or claims ... of objections and the names and addresses of their solicitors (if any).

C. Morris, Liquidator

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PUBLIC NOTICES

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE
FOOD AID
Invitation to tender — amendment

On Tuesday 2 March 1982 tenders were invited for the urgent supply of 15,403 tonnes of bulk common wheat: loading was to commence no earlier than 22 March 1982 and no later than 27 March 1982. This should now be to commence no earlier than 31 March 1982 and no later than 12 April 1982.

BURNLEY BOROUGH COUNCIL £600,000 bills issued on 10.3.1982 at a rate of 12 33/64 to mature 9.6.1982. Total applications were £4,200,000 and these are the only bills outstanding.

METROPOLITAN BOROUGH OF WIRRAL £4,000,000 bills issued on 10.3.1982 at a rate of 12 55/64 to mature 9.6.1982. Total applications were £21,000,000 and these are the only bills outstanding.

NEWPORT BOROUGH COUNCIL £1,000,000 bills issued on 10.3.1982 at a rate of 12¹⁷⁄₃₂ to mature 9.6.1982. Total applications were £5,000,000 and these are the only bills outstanding.

PERSONAL

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BLOND FINE ART, 33, Sackville St., W1. 437 1230. MAX BLOND—Recent Paintings. Until 20 March.

DUKE STREET GALLERY, 17, Duke Street, St. James's, SW1. 930 5247. Roger Parry—Vintage Photographs of the 20s and 50s. Michel Szelc Srzyzanowski — Sequences from Baja California. 1st-26th March. Mon.-Fri. 10.00-5.00.

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MINING NEWS

De Beers cuts dividend as gem stocks rise and profits fall

BY KENNETH MARSTON, MINING EDITOR

THE UNTHINKABLE has happened. De Beers Consolidated Mines has severely cut its "impregnable" dividend. Such are the pressures of recession in the diamond market that the world's giant in this field has halved its final dividend for 1981 to 25 cents (13.8p).

Following the unchanged interim, the latest payment leaves the total for the year at 50 cents compared with the best-ever 75 cents paid for 1980. This is the first reduction in De Beers' annual dividend total since 1944 when wartime pressures forced a lesser cut of 14.3 per cent to 30 shillings, or £1.50.

The latest dividend total is twice-covered by earnings which exclude the share of retained profits of associates. Group consolidated net profits, however, come out at R628.3m (£347.8m), equal to 174.6 cents per share, compared with R818.2m in 1980.

De Beers' Central Selling Organisation, which handles the marketing of over 80 per cent of world rough (uncut) diamond production buys a guaranteed minimum of output from mines of the group and others. At times such as these, of weak demand, the CSO has to stockpile diamonds.

Against the background of a fall of 46 per cent to $1.47bn (£811m) in the value of sales made last year by the CSO, unsold stocks of diamonds carried by the latter have doubled in 1981 to a value of R1.4bn (£775m).

At the same time, De Beers' cash resources have fallen to R224m from R776.4m at the end of 1980. Furthermore, the financing of this huge stockpile has also resulted in a loan of R200.6m having been obtained from an associated company, believed to be Anglo American Corporation.

Against this background, De Beers' profits on the diamond side have fallen to R360.3m from R802.7m. Investment income, largely reflecting dividends received from gold investments, has risen to R179.6m from a re-stated R147.1m. But interest charges have climbed to R38.3m from R13.8m. Tax and the State's share of profits has dropped to R101.3m from R292.5m.

The world diamond market has been hit by a combination of previous over-stocking at the major cutting centres, high interest rates and the general economic downturn, particularly in the U.S. which is the leading buyer of diamond jewellery. The larger gem diamonds, which also come into the "investment" category, have been particularly affected by the recession.

These higher quality stones of one carat upwards in polished form remain a depressed market, but demand for the lower categories of cheaper rough diamonds is satisfactory. These low-priced goods are those in which the Bombay cutting industry specialises.

Although stocks of rough diamonds remain high—they are reducing to some extent at cutting centres—retail diamond jewellery consumption is reckoned to be buoyant, especially in the less expensive stones. And De Beers is spending something in the region of $70m a year in diamond jewellery sales promotion.

Even so, there is no overall pick-up in the diamond trade and it is worth bearing in mind that it is the higher priced goods which carry the better profit margins, rather than the "melees" which are selling quite well.

De Beers' earnings on diamonds for the current year thus do not look promising and income from the gold investments can be expected to fall in line with the turndown in bullion prices. Eventually, however, the burden of high diamond stocks will be transformed into a money-spinner for the group.

The timing of this will depend largely on that of the hoped-for recovery in the U.S. economy and at present there are little signs of this.

De Beers' latest results were announced amid some confusion during share market hours yesterday. The deferred shares dropped at one time to around 230p and subsequently rallied to close with a net loss of 48p at 244p.

Shares of the holding company, Anglo American Investment Trust (Anamint) dropped £3¼ to £29¼ while those of Anglo American Corporation were 40p down at 455p. Minerals and Resources Corporation, which holds 10 per cent of Anamint, dropped 53p to 290p.

	1981 Rm	1980 Rm
Diamond account	360.3	802.7
Invest. income	179.8	147.1
Other interest	62.7	89.1
Surplus on realisation of invests.	3.1	10.3
Real. of fixed assets	0.1	—
Making	605.8	1 049.2
Prospecting & research	62.5	44.5
General charges	15.3	12.8
Interest payable	38.3	13.8
Amount written off fixed assets	0.4	0.3
Profit before tax	489.3	977.8
Tax	97.3	274.3
State's share of profits under mining leases	3.8	18.2
Profit after tax	388.2	685.3
Outside hldrs. in subs.	22.8	16.2
Div. on pref. shares	1.8	1.8
Balance brought fwrd.	363.8	668.3
Share of assocs.	264.5	149.9
Attributable to deferred holders	628.3	818.2
Transfers to reserves incl. share retained assoc. companies	288.5	528.5
Def. div.—50c per share (1980: 75c)	179.8	269.8
Inc. in unappropriated profit	159.9	18.8
Earnings per deferred share (cents):—		
—Excl. share assoc.	101.1	185.7
—Inc. share assocs.	174.6	227.4
Consolidated Balance Sheet		
Issued share capital:		
Pref. shares	4.0	4.0
Second pref. shares	2.8	2.8
Deferred shares	18.0	18.0
Non-distributable res.	849.3	550.8
Distributable res.	2 712.8	2 283.4
Excess of cost of shares in subs. over book value of net assets at dates of acquisition	21.2	27.5
Outside holders' ints. in subs.	69.7	69.6
Long-term liabilities	64.0	61.3
TOTAL	3 689.4	2 962.5
Fixed assets:		
Claims, mining int. prop.	153.5	113.0
Plant, works, bldgs.	55.2	46.6
Unlisted trade invts.	261.0	176.5
Stores, materials	68.6	63.0
Diamond stocks	1 403.1	697.7
Listed investa.	1 376.2	1 067.6
(Market value:— R2 292.4m; 1980: R2,669.8m)		
Unlisted invests.	161.7	98.1
(Directors' valuation:— R568.1m; 1980: R451.5m)		
Long-term loans	156.0	160.0
Loan portion of tax	131.7	128.7
Def. tax & State's of profits	8.5	8.7
Cash	224.0	776.4
Other current assets	579.5	423.1
Current liabilities:		
Tax	24.3	49.7
Divs.	90.9	180.8
Loan from assoc. co.	200.6	—
Creditors	573.8	566.4
Net current assets (liabilities)	(86.1)	402.6
TOTAL	3 689.4	2 962.5

Canadian mines cut production

WEAK LEAD and zinc prices over the past few weeks have led Canada's Cominco to announce the closure of its plants at Trail and Kimberley in British Columbia for the month of July, and possibly longer, reports John Soganich from Toronto.

The shutdown, which will affect virtually all of the 6,300 people employed at the two sites, will include all operating plants, the big Sullivan lead-zinc mine, construction projects and support services.

Cominco, owned as to 54 per cent by the Canadian Pacific group, said it will maintain supplies to customers from metal and fertiliser stockpiles.

Together with the cut in zinc production already in force, the July closures will reduce the company's annual output by 18,000 tons of lead, plus a further 15,000 tons of lead concentrates, and 40,000 tons of zinc with a further 13,000 tons of zinc concentrates.

Reflecting the poor outlook this year for worldwide sales of asbestos, Brinco has decided to impose a lengthy shutdown at its Cassiar mine in northern British Columbia in an attempt to reduce costs and stocks.

Cassiar will be closed for summer holidays of 35 days between June 29 and August 3, to be followed by what Brinco described as a further temporary shutdown of about a month while experimental production methods are tried out in the open pit.

Noranda Mines' Central Canada Potash division in Saskatchewan is cutting production in response to falling demand both in north America and abroad.

There is to be a six-day shutdown starting on March 18, and then on May 2 production, maintenance and clerical staff will be laid off for some 15 days, with about 400 employees affected.

In addition, Noranda is to cut molybdenum output at its Boss Mountain mine in British Columbia still further from July 2.

Production is to be halved to 1m pounds a year, with staff falling by 80 to 105. The mine's production costs have apparently overtaken selling prices over the past few months.

Gold development programmes in Canada, sparked by the price rises of late 1979 and early 1980, are also starting to feel the effects of the recent weakness in the bullion price.

Camflo Mines has suspended underground exploration and development at its Pandora property in the Malartic district of Quebec, with the problems made worse by the fact that results of the exploration work so far have not proved as favourable as expected.

Willanour Resources, part of the Camflo group, is scaling down open-pit and underground exploration work at its Buffalo property at Red Lake in north-western Ontario.

Boliden buys New Mexico silver find

THE SWEDISH metals and chemicals group Boliden has acquired full control of a copper-zinc-silver discovery in New Mexico which is regarded as one of the most promising found in the southern U.S. in recent years, reports William Dullforce from Stockholm.

The Swedish group has taken over the prospect, just north of Silver City, from the U.S. oil major Exxon for an undisclosed sum.

Preliminary estimates suggest that the prospect could produce 8,000 tonnes of copper a year for at least 15 years, adding some 15 per cent to Boliden's raw material capacity.

Exxon, which has been adding to its hard-rock mineral interests recently, is understood to have sold the rights to the discovery because the ore calls for a complicated processing method with which Boliden is familiar at its Swedish operations.

De Beers

De Beers Consolidated Mines Limited

Provisional Annual Financial Statements and Declaration of Dividend

The following are unaudited abridged consolidated financial statements for the year ended 31st December 1981, together with comparative figures for the year ended 31st December 1980.

CONSOLIDATED INCOME STATEMENT

	1981 R millions	1980 R millions
Diamond account	360.3	802.7
Investment income	179.6	147.1
Other interest	62.7	89.1
Net surplus on realisation of investments	3.1	10.3
Surplus on realisation of fixed assets	0.1	—
	605.8	1 049.2
Deduct:		
Prospecting and research	62.5	44.5
General charges	15.3	12.8
Interest payable	38.3	13.8
Amount written off fixed assets	0.4	0.3
	116.5	71.4
Profit before tax	489.3	977.8
Deduct:		
Tax	97.3	274.3
State's share of profits under mining leases	3.8	18.2
	101.1	292.5
Profit after tax	388.2	685.3
Deduct:		
Profit attributable to outside shareholders in subsidiaries	22.6	15.2
Dividends on preference shares	1.8	1.8
	24.4	17.0
	363.8	668.3
Add:		
Share of retained profits of associated companies	264.5	149.9
Net profit attributable to deferred shareholders	628.3	818.2
Deduct:		
Transfers to reserves including share of retained profits of associated companies	288.5	528.5
Deferred dividends—50 cents per share (1980: 75 cents)	179.9	269.8
	468.4	798.3
Increase in unappropriated profit	159.9	19.9
Earnings per deferred share—cents		
—excluding share of retained profits of associates	101.1	185.7
—including share of retained profits of associates	174.6	227.4

CONSOLIDATED BALANCE SHEET

	1981 R millions	1980 R millions
Issued share capital:		
Preference shares	4.0	4.0
Second preference shares	2.8	2.8
Deferred shares	18.0	18.0
	24.8	24.8
Non-distributable reserves	849.3	550.9
Distributable reserves	2 712.8	2 283.4
	3 586.9	2 859.1
Less:		
Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition	21.2	27.5
	3 565.7	2 831.6
Outside shareholders' interests in subsidiary companies	59.7	69.6
Long-term liabilities	64.0	61.3
	3 689.4	2 962.5
Fixed assets:		
Claims, mining interests and property	153.5	113.0
Plant, permanent works and buildings	55.2	46.6
Unlisted trade investments	261.0	176.5
	469.7	336.1
Stores and materials	68.6	63.0
Diamond stocks	1 403.1	697.7
Listed investments (Market value R2292.4 million—1980: R2669.8 million)	1 376.2	1 067.6
Unlisted investments (Directors' valuation R568.1 million—1980: R451.5 million)	161.7	98.1
Long-term loans	156.0	160.0
Loan portion of tax	131.7	126.7
Deferred tax and State's share of profits	8.5	8.7
Cash	224.0	776.4
Other current assets	579.5	423.1
	803.5	1 199.5
Less:		
Current liabilities:		
Tax	24.3	49.7
Dividends	90.9	180.8
Loan from associated company	200.6	—
Creditors	573.8	566.4
	889.6	796.9
Net current assets (liabilities)	(86.1)	402.6
	3 689.4	2 962.5

Diamond Market

While the demand for the lower categories of rough diamonds continues to be satisfactory, the market for the more expensive categories remains depressed.

Notwithstanding world economic conditions, diamond jewellery consumption still continues at a buoyant level.

Declaration of dividend No. 124 on the deferred shares

Dividend No. 124 of 25 cents per share (1980: 50 cents) being the final dividend for the year ended 31st December 1981, has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 26th March 1982, and to persons presenting coupon No. 68 detached from deferred share warrants to bearer. This dividend, together with the interim dividend of 25 cents per share declared on 18th August 1981, makes a total of 50 cents per share for the year (1980: 75 cents). A notice regarding payment of dividends on coupon No. 68 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 19th March 1982.

The deferred share transfer registers and registers of members will be closed from 27th March 1982 to 8th April 1982, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 6th May 1982. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 29th March 1982 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 26th March 1982.

The effective rate of non-resident shareholders' tax is 11.147 per cent.

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board

H. F. Oppenheimer }
Philip Oppenheimer } *Directors*

10th March 1982

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)
Charter Consolidated P.L.C., P.O. Box No. 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

APPOINTMENTS

International agricultural manager at Barclays

Mr Ron Kingham has been made international agricultural manager for BARCLAYS BANK, based at head office in London. This appointment has been made because of the growing volume of international work handled by the bank's agricultural services department. He was manager at Barclays of Zambia, Lusaka.

*

Mr Stephen J. Loffler has been appointed marketing director of OFREX. He was marketing manager.

*

Mr Simon Coales has joined PB INDUSTRIAL BATTERIES as sales and marketing director. He was previously sales director with Chloride Industrial Batteries.

*

Dr Kenneth MacKenzie has been appointed managing director of SCOTTISH MALT DISTILLERS. Succeeding him as production director is Mr George Wilson.

*

Mr John Hitchcock, formerly a director of Salter's, has joined TODD SCALES as director of marketing and sales.

*

H. P. BULMER has appointed as managing director to head the company's international division Mr Ekkehard Schirrmacher, who was formerly managing director of Newey and Eyre International.

*

Mrs Jackie Parsons and Mr Terry Thornley, previously general manager, have been made directors of MAYALL AND CO.

*

Mr Brian Corner has been appointed to the board of HARWIN, as director of sales. Mr John Boniface has been appointed works director.

*

Mr Derek Bond and Mr P. J. D. Heaf have been appointed directors of the PERMANENT INSURANCE CO. They replace Dr S. P. Meadows and Sir Clifford Neunton Morgan who have retired. Mr H. D. Brumwell has been appointed deputy general manager and secretary of the Medical Sickness Society and its subsidiary the Permanent Insurance Company.

*

Mr Graeme S. Haward will be retiring as senior partner of EARNSHAW, HAES AND SONS, stockbrokers, on April 29, but will remain with the firm as a consultant. Mr Peter R. F. Yeulett will become senior partner and his deputies will be Mr John F. Harkness and Mr Henry D. d'A. Staveley-Hill.

*

Mr Ian Walker, director of development and research of BNOC, has taken over as chairman of the management committee of UEG, the research and information group for Underwater and Offshore Engineering Industries. He succeeds Mr John Holmes, chief executive of John Brown Offshore.

*

WHITECROFT-SCOVILL has appointed Mr Michael Jarrett as chairman, Mr John Rutter—managing director, Mr Gordon Domoney—financial director, and Mr David Knott—sales and marketing director (designate).

*

GREIG FESTER GROUP has appointed Mr J. H. Merison and Mr B. S. Wallas as deputy chairmen, following the retirement of Mr D. A. N. Allen. Greig Fester Limited has appointed the following divisional directors: Mr M. F. Boella, Mr P. C. Cave, Mr G. A. Clarkson, Mr J. Hardie, Mr W. S. Hill, Mr C. J. King, Mr D. Macdonald and Mr G. C. Sweet.

*

Mr A. E. Leyland has been appointed joint managing director with Mr D. M. Nicoll of RUSH AND TOMPKINS DEVELOPMENTS. Mr D. B. Reed has been appointed a director of Dukes Park Industrial Estates. Mr W. L. Ogden has been made group property manager, and Mr M. W. Maynard estates manager. The companies are in the Rush and Tompkins Group.

*

The HOUSING CORPORATION has appointed Mr Michael A. Cohen as regional director, to cover the London and Home Counties regions. He is currently a project finance manager, Lloyds Bank International, and will take up his post in May.

*

Mr A. J. C. Johnston has been appointed works director for UNIROYAL'S plant at Dumfries.

*

Mr William F. Buys has been appointed finance director of CHEF AND BREWER. He comes from Rank Xerox. Former finance director, Mr Philip Jarman will take full-time responsibility as commercial director for Chef and Brewer subsidiary companies, Huckleberry's, Barnaby's and Reelplay and specialist property and machine operations functions.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations ... | US$44.52 | +0.09 | 1.85

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund ... | £14.58 | 14.59 | ... | —

King & Shaxson Mngrs.

Save & Prosper International
Dealing to
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds

[illegible]

CURRENCIES, MONEY and GOLD

Sterling weaker

Sterling lost ground in late European trading, closing at its lowest level against the dollar since September last year, but finishing well above its weakest point of the day before the foreign exchange market digested the full text of the Chancellor's Budget statement.

Dollar showed a firmer trend, helped by the firmer trend in Eurodollar interest rates.

European currencies weakened against the dollar, but there was little change within the European Monetary System.

STERLING — Trade-weighted index 90.2, against 90.0 at noon and in the morning, 90.2 at Monday's close, and 87.7 six months ago. Three-month interbank 13⅞ per cent (13⁹⁄₁₆ per cent six months ago). Annual inflation 12 per cent (unchanged from previous month)—The pound fell against the dollar, but was little changed against Continental currencies. Sterling touched a best level of $1.8190-1.8200, and a low point of $1.7950-1.7960, before closing at $1.8015-1.8035, a fall of, 2.25 cents on the day. The pound eased to DM4.27 from DM 4.2750; to FFr 10.9250 from FFr 10.94; but rose to Y428 from Y427.50; and was unchanged at SwFr 3.36.

DOLLAR — Trade-weighted index (Bank of England) 113.0 against 112.9 on Monday, and 111.2 six months ago. Three-month Treasury bills 12.24 per cent (15.60 per cent six months ago). Annual inflation 8.4 per cent (8.9 per cent previous month)—The dollar rose to DM 2.3685 from DM 2.3415 against the D-mark; to FFr 6.0625 from FFr 5.9960 against the French franc; to SwFr 1.8650 from SwFr 1.84 in terms of the Swiss franc, and to Y237.50 from Y234.15 against the Japanese yen.

D-MARK — EMS member (weakest) Trade-weighted index 122.3 against 122.7 on Monday, and 117.0 six months ago. Three-month interbank 10 per cent (12.70 per cent six months ago). Annual inflation 5.8 per cent (6.3 per cent previous month)—The D-mark rose against one member of the EMS at the Frankfurt fixing, weakened against three, and was unchanged against two. Sterling fell to DM 4.2710 from DM 4.2790, but the dollar rose to DM 2.3597 from DM 2.3384. The Bundesbank did not intervene at the fixing, and was probably not active in the open market, with the U.S. currency rising to DM 2.3670 in the afternoon.

ITALIAN LIRA—EMS member (second weakest). Trade-weighted index 55.0 against 55.1 on Monday, and 57.3 six months ago. Three-month interbank 20⁹⁄₁₆ per cent (27¼ six months ago). Annual inflation 16.7 per cent (17.3 per cent six months ago)—The lira showed mixed changes against members of the EMS at the Amsterdam fixing, but touched a record low against the Swiss franc and Dutch guilder. The Swiss currency rose to L686.68 from L685.32, and the guilder to L493.05 from L492.72. The D-mark fell to L539.75 from L539.90, and the Belgian franc to L29.221 from L29.268. Sterling rose to L2,314.40 from L2,307.55, and the dollar to L1,274.05 from L1,262.55.

DUTCH GUILDER — EMS member (strongest). Trade-weighted index 115.1 against 115.3 on Monday, and 108.9 six months ago. Three-month interbank 9⁷⁄₁₆ per cent (13⁷⁄₁₆ per cent six months ago). Annual inflation 6.9 per cent (7.2 per cent previous month)—The guilder rose against three members of the EMS at the Amsterdam fixing, and declined against three at the Amsterdam fixing. Outside the EMS the Swiss franc rose to DFl 1.3920 from DFl 1.3915, but the dollar fell to DFl 2.5440 from DFl 2.5635. Sterling fell to DFl 4.6850 from DFl 4.6860.

THE POUND SPOT AND FORWARD

[illegible]

THE DOLLAR SPOT AND FORWARD

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Saudi Arab. Riyal	6.16-6.22	3.4195-3.4210	Sweden	10.48-10.58
Singapore Dollar	3.8330-3.8430	2.1180-2.1210	Switzerland	3.34¼-3.38¼
Sth. African Rand	1.8135-1.8165	1.0060-1.0080	United States	1.80-1.82
U.A.E. Dirham	6.61-6.67	3.6715-3.6735	Yugoslavia	93-99

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.6963	44.6363	−0.13	−0.11	±1.5440
Danish Krone ...	8.18382	8.11779	−0.81	−0.79	±1.6428
German D-Mark	2.41815	2.41635	−0.07	−0.05	±1.1097
French Franc ...	6.19564	6.18519	−0.17	−0.15	±1.3743
Dutch Guilder ...	2.67296	2.64538	−1.03	−1.01	±1.5069
Irish Punt ...	0.686799	0.684978	−0.26	−0.24	±1.6689
Italian Lira ...	1305.13	1303.78	−0.10	−0.10	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for March 9 ... 0.564612

EXCHANGE CROSS RATES

Mar. 9	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.803	4.270	428.0	10.920	3.360	4.870	2301.	2.185	78.95
U.S. Dollar	0.555	1.	2.369	237.4	6.061	1.864	2.694	1277.	1.212	43.79
Deutschemark	0.234	0.422	1.	100.2	2.559	0.787	1.093	538.9	0.612	18.48
Japanese Yen 1,000	2.336	4.211	9.977	1000.	25.53	7.850	10.92	5376.	5.104	184.4
French Franc 10	0.916	1.650	3.908	391.9	10.	3.076	4.279	2106.	2.000	72.24
Swiss Franc	0.298	0.536	1.271	127.4	3.251	1.	1.391	684.8	0.650	23.49
Dutch Guilder	0.214	0.386	0.913	91.65	2.337	0.719	1.	492.2	0.467	16.88
Italian Lira 1,000	0.435	0.783	1.856	186.0	4.748	1.460	2.032	1000.	0.949	34.30
Canadian Dollar	0.458	0.825	1.955	196.9	5.001	1.538	2.140	1053.	1.	36.13
Belgian Franc 100	1.267	2.284	5.410	542.3	13.84	4.257	5.925	2915.	2.708	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 9)

6 months U.S. dollars		6 months U.S. dollars	
bid 14 3/8	offer 14 1/2	bid 14 5/8	offer 14 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

[illegible]

ECU linked deposits: one month 12¼-12⅝ per cent; three months 12⁹⁄₁₆-12¹⁵⁄₁₆ per cent; six months 12⁹⁄₁₆-12¹⁵⁄₁₆ per cent; one year 12½-13⅛ per cent.

Asian $ (closing rates in Singapore): one month 14⅛-14¼ per cent; three months 14⁹⁄₁₆-14⁹⁄₁₆ per cent; six months 14⅝-14¾ per cent; one year 14⁷⁄₁₆-14⁹⁄₁₆ per cent.

Long-term Eurodollar two years 14¾-15 per cent; three years 15-15¼ per cent; four years 15-15¼ per cent; five years 15⅛-15⅝ per cent nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.05-14.15 per cent; three months 14.05-14.15 per cent; six months 14.10-14.20 per cent; one year 14.10-14.20 per cent.

MONEY MARKETS

Heavy shortage

London clearing bank base lending rate 13½ per cent (since February 25)

UK interest rates showed little change ahead of yesterday's Budget. A shortage of over £1bn in day-to-day credit kept short-term rates high. In the interbank market overnight money traded between 14½ per cent and 30 per cent, while the one-week rate was slightly firmer at 14½-14¾ per cent. Longer-term rates were also firmer by one-eighth of a point.

The Bank of England gave a forecast of a shortage of £1,100m with bills maturing in official bands accounting for £94m and Exchequer transactions a further £40m. The main factor was the unwinding of repurchase agreements on £967m of bills and the Bank gave assistance in the morning of £319m. This comprised purchases of £2m of eligible bank bills in band 1 (up to 14 days) at 13⅞ per cent and £77m in band 2 (15-33 days) at 13½ per cent. The authorities also entered into sale and repurchase agreements on £240m of bills at 13½-13¾ per cent, with £80m unwinding on March 23 and similar amounts on March 25 and 26.

The Bank revised its early forecast to £1,200m before taking into account the morning's operations and the Bank gave additional help in the afternoon of £693m, making a grand total of £1,012m. The afternoon help comprised purchases of £2m of local authority bills in band 1 at 13⅞ per cent and £8m of Treasury bills in band 2 at 13½ per cent. The Bank also arranged further repurchase agreements on £423m of bills at 13¾ per cent with £141m unwinding on March 23 and similar amounts on March 25 and 26. The Bank also lent £260m at 14 per cent to five or six discount houses.

In Brussels the National bank reduced the rate on one and two month bills by 0.15 per cent to 12.6 per cent. The three-month rate remained at 13.75 per cent. Meanwhile dealers in the foreign exchange market suggested that scope for further downward adjustments may be limited by recent weakness of the Belgian franc against its EMS partners.

MONEY RATES

NEW YORK

Prime rate	16-16½
Fed. funds (lunch-time)	13⅞-14⅛
Treasury bills (13-week)	12.24
Treasury bills (26-week)	12.37

GERMANY

Special Lombard	10.00
Overnight rate	10.05
One month	10.075
Three months	9.95
Six months	9.70

FRANCE

Intervention rate	14.00
Overnight rate	14.25
One month	14.15625
Three months	14.1875
Six months	14.1875

JAPAN

Discount rate	5.50
Call (unconditional)	6.59375
Bill discount (three-month)	6.53125

LONDON MONEY RATES

[illegible]

GOLD

Slight rise

Gold rose $½ in the London bullion market to close at $326¾-327¾. The metal opened at $324½-325½, and was fixed at $325.50 in the morning and $329.25 in the afternoon. It touched a low point of $323¼-324¼, and a peak of $329-330.

In Paris the 12½ kilo gold bar was fixed at FFr 63,100 per kilo ($324.82 per ounce) in the afternoon, compared with FFr 63,500 ($326.89) in the morning, and FFr 65,000 ($337.51) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 24,805 per kilo ($327.02 per ounce), against DM 25,355 ($336.97) previously, and closed at $329-330, compared with $328½-329½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $326.25 per ounce.

In Zurich gold finished at $328-331, against $328½-329.

	Mar. 9		Mar. 8	
Gold Bullion (fine ounce)				
Close	$326¾-327¾	(£181¼-181¾)	$326-327	(£178½-179)
Opening	$324½-325½	(£179½-180)	$334-350	(£182-182½)
Morning fixing	$325.50	(£179.735)	$338.50	(£183.414)
Afternoon fixing	$329.25	(£181.505)	$330.50	(£180.947)
Gold Coins				
Krugerrand	$335-336	(£185¾-186¼)	$336-337	(£184-185)
1/2 Krugerrand	$172½-173½	(£95¾-96¼)	$172½-173½	(£94½-95)
1/4 Krugerrand	$87¾-88¼	(£48¾-49¼)	$88-89	(£48¼-48¾)
1/10 Krugerrand	$35¾-36¾	(£19¾-20¼)	$36-37	(£19¾-20¼)
Mapleleaf	$336-337	(£186¼-186¾)	$337-338	(£184½-186½)
New Sovereigns	$80-80½	(£44¼-44¾)	$80-80½	(£44-44½)
King Sovereigns	$96-97	(£53¼-53¾)	$96-97	(£52½-53)
Victoria Sovs	$96-97	(£53¼-53¾)	$96-97	(£52½-53)
French 20s	$78-88	(£43¼-48¾)	$78½-88½	(£43-48½)
50 pesos Mexico	$399½-404	(£221½-224)	$397¼-400	(£217¾-219¼)
100 Cor. Austria	$315-317½	(£174½-176)	$313½-316	(£171¾-173¼)
$20 Eagles	$470-475	(£260½-263½)	$470-475	(£257½-260¼)

Nikko Securities in push for international business

BY JOHN MAKINSON

NIKKO SECURITIES, Japan's second largest securities house, is undertaking a major investment programme to increase its international business and tap the demand for outward portfolio investment by Japanese companies and financial institutions.

The company expects to derive up to a quarter of its overall net income from foreign business within the next five years, according to Mr Shoji Umemura, Nikko's president. The proportion has already jumped from 5 per cent to 13 per cent since 1976.

But Nikko is still lagging behind its main Japanese rivals on the international scene. In 1981, a boom year for international business, Nikko's net income rose 29.4 per cent to Y23.7bn (US$101m), the slowest growth rate among Japan's four leading securities companies.

"We have to admit," Mr Umemura said, "that to some extent Nomura and Daiwa (Nikko's two main rivals) have pulled ahead internationally." Mr Umemura, who took over as president only three months ago, believes the edge obtained by his competitors is mainly attributable to a superiority in communications.

Nikko has been working to close the technological gap and expects to have all its overseas offices linked through a compatible computer network by the middle of this year. Nikko is also adding muscle to its overseas offices by injecting more capital.

The paid-up capital of the London office has recently been increased from £100,000 to £5m and similar exercises are planned for New York and Hong Kong. These three offices will in future operate as regional headquarters.

Nikko is trying to expand the role of its new regional headquarters. As with the other big Japanese securities companies, it has sounded out the Bank of England about obtaining a licence as a deposit-taking institution. These applications have fallen on deaf ears so far, but Mr Umemura hopes the UK authorities will be encouraged by recent signs of a loosening in Tokyo's own restrictions on foreign financial institutions.

In Hong Kong, Nikko is applying for a licence as a deposit-taking company. A licence was recently awarded there to Nomura. Another move by Nomura—membership of the New York Stock Exchange—is also being considered by Nikko.

Nikko's strategy looks very similar to that already undertaken by Nomura, by far the biggest Japanese securities company, and to a lesser extent by Daiwa. Like Nomura, for example, Nikko hopes to play a major role in meeting the capital requirements of the South-East Asian area.

But, whereas its rivals have concentrated on attracting foreign portfolio investment to Japan, Nikko's emphasis is on stimulating outward investment by Japanese institutions.

Mr Umemura says Nikko has managed roughly 26 per cent of all outward equity investment over the past few months, a larger market share than any of its rivals.

'TOKYO TO ADVANCE'

MR UMEMURA expects the Tokyo stock market to consolidate around its present level over the next three months, but to resume its upward path later in the year. He believes that the Nikkei-Dow Jones Average, which yesterday dipped below 7,200 for the first time this year, could reach the 8,000 level towards the end of 1982, writes John Makinson.

Mr Umemura said that the stock market was suffering from fears of a deepening U.S. recession, trade pressures and the dismal growth pattern of the Japanese economy. But he thinks these adverse factors have already been discounted by the market and that more optimistic indicators should soon start to emerge.

He cited in particular the good competitive position of Japan's high-technology and other growth industries, which should support an improving export trend, and the expectation that the yen will begin to recover from its current level of around Y235 to the dollar, drawing in foreign portfolio investment.

Mr Umemura accepted that corporate profits are unlikely to show much improvement in the six months to either March or September, but said that earnings should rise rapidly next year.

Mr Shoji Umemura, president of Nikko

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday March 23. Closing prices on March 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	103½	104¼	−0⅛	+0⅞	15.46
APS Fin. Co. 17¼ 88	60	105⅝	106⅛	−0⅜	+0¼	15.29
APS Fin. Co. 16¼ 89	75	103⅜	104⅛	+0⅛	+2¼	15.28
APS Int. Fin. 15 88	25	†97¾	98⅛	−0¼	−0⅛	16.49
Armco O/S Fin. 15½ 88	50	99½	100	−0¼	+0⅛	15.39
Baker Int. Fin. 0.0 92	225	24¼	25⅛	−0½	−0½	14.31
Bank Montreal 16¼ 91	150	103⅜	104⅛	−0¼	+1⅜	15.41
Br. Colum. Hyd. 16¼ 88	100	103¾	104¼	−0½	+1⅛	15.19
Br. Colum. Mle. 17 97	54	103½	104	−0⅛	−0½	16.27
Can. Nat. Rail 14½ 91	100	97⅛	97⅞	−0¼	+2⅛	16.09
Carolina Power 16⅛ 89	60	102¼	102¾	−0⅛	−0⅛	15.96
Caterpillar Fin. 16½ 86	100	104	104½	−0½	+0½	15.08
CFMP 16¾ 96	100	101⅞	102⅜	−0⅛	0	13.31
CIBC 16¾ 91	100	105⅝	106⅛	0	+1¾	15.55
Citicorp O/S 15¾ 88	150	103⅝	104⅛	−0½	+0⅜	15.42
Cons.-Bathurst 17½ 88	80	102¾	103⅛	−0⅜	−0⅛	15.88
Dupont O/S 14½ 88	400	99½	100	−0⅛	+0⅞	14.51
Dupont O/S Cap. 0.0 90	300	35	35½	−0⅛	+0¼	14.08
EIB 16¾ 91	100	104⅞	105⅜	−0⅛	+2⅛	15.63
Gen. Elec. Credit 0.0 92	400	28⅛	28⅞	0	0	13.25
Gen. Elec. Credit 0.0 93	400	25⅛	25⅝	−0⅜	−0⅛	12.82
GMAC O/S Fin. 16¼ 84	300	101⅝	102⅛	−0¼	+0⅛	15.45
GMAC O/S Fin. 19 88	150	100	100½	−0¼	+1⅛	15.91
GMAC Fn. 0.0 92 (Oct)	400	†25⅛	26⅛	−0¼	−0¼	19.34
Gulf Oil-Fin. 0.0 92	300	26⅛	26¾	−0½	−0½	13.86
Gulf States O/S 17½ 88	60	104½	105	−0¼	+0⅛	16.19
Japan Airlines 15¾ 88	50	100½	101	−0½	+0½	15.01
Japan Airlines 7⅛ 87	37	†100⅛	100⅝	−0¼	−0¼	7.75
Japan Dev. Bk. 15⅛ 87	50	101⅜	101⅞	−0⅛	−0¼	14.99
Nat. Bk. Canada 16½ 88	40	100⅝	101⅛	−0⅜	−0⅛	16.91
Nat. West 14¼ 91	100	99⅜	99⅞	+0⅛	+1½	14.79
New Brunswick 17 88	80	107⅛	107⅝	−0⅛	+1⅛	15.08
New Brunswick 16⅛ 89	75	102⅞	103⅜	+0⅛	+0⅛	15.54
New & Lab. Hy. 17¼ 89	75	104	104½	−0⅛	0	13.13
Ohio Edison Fin. 17⅞ 88	75	106⅜	106⅞	−0½	+0⅞	15.92
OKG 15¾ 97	50	98¼	98¾	−0⅛	0	15.98
Ontario Hyd. 16 91 (N)	200	104½	105	0	+1⅞	14.99
Pac. Gas & El 15¼ 89	80	103¼	103¾	−0⅜	+2⅛	14.87
J. C. Penney Gl. 0.0 94	350	20⅝	21⅛	−0⅛	+0⅛	11.65
Quebec Hydro 17⅛ 91	150	108	108½	0	+1⅝	15.48
Quebec Prov. 15¼ 89	150	98⅛	98⅝	−0⅜	+1¾	15.52
R.J. Rynlds. O/S 0.0 92	400	26⅛	26¾	0	0	13.93
Saskatchewan 16⅛ 88	100	102⅞	103⅜	0	+1	15.41
Statsforetag 15¾ 87	50	99	99½	−0½	+0⅛	15.94
Sweden 14½ 88	150	95⅛	96⅛	−0⅛	+1⅛	15.48
Swed. Ex. Cred. 16½ 93	75	101⅛	101⅝	−0⅛	+0⅛	15.18
Texas Eastern 15⅞ 88	75	100	100½	−0¼	+0⅛	15.76
Transcanada 15 89	100	99⅜	99⅞	−0¼	+0½	16.03
Winnipeg 17 88	50	105	106½	−0⅛	+1	14.94
WMC Fin. 15½ 86	50	96⅜	97⅛	−0⅛	+0⅛	15.24
World Bank 16½ 86	130	104⅝	105⅛	−0⅛	+0⅞	14.86
World Bank 16½ 88	100	104⅝	105⅛	0	+1	16.20

Average price changes... On day −0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 9¾ 91	300	99¼	99¾	+0¼	+0⅜	9.44
Belgelectric 11 91	100	101⅞	102⅜	0	+0⅛	10.63
CECA 10 91	120	101½	102	+0⅛	+1	9.70
Coun. of Europe 10 91	100	100⅛	100⅝	0	+0⅞	9.91
C. of Europe 10¼ 91	100	101½	101⅞	−0¼	+0¼	10.00
EEC 10¾ 93	100	101⅛	101⅝	+0⅛	+0¼	9.92
EIS 10⅛ 91	200	103	103½	0	+0½	9.93
EIS 8¾ 88	90	99⅛	99⅞	−0⅛	+0⅛	9.81
Finland, Rep. of 10½ 86	100	101	101½	−0⅛	+0⅛	10.12
Inter-American 10 91	100	101⅜	102⅛	+0⅛	+1⅛	9.68
Inter-American 10¼ 91	100	101¼	101¾	0	+0⅛	9.88
Ireland 10¼ 86	100	100¼	100⅝	0	+0⅛	10.00
Mexico 11 88	100	100⅛	100½	0	0	10.90
Midland Int. Fin. 8½ 90	180	94	94½	+0⅛	+0⅛	9.49
Mt. Bk. Dnmk. 10¼ 91	100	100	100½	−0¼	0	10.44
Nat. West 9¾ 92	100	101⅛	101⅝	0	+0⅞	9.66
New Zealand 9¾ 89	200	101	101½	0	+0½	9.50
OKB 10⅛ 91	150	101	101½	−0⅛	+0½	9.90
OKB 9¾ 86	150	99⅞	99⅞	+0⅛	+0⅛	9.81
Quebec Hydro 10¼ 91	150	101⅞	102⅜	0	0	9.88
Swed. Ex. Cred. 10¼ 91	100	†99½	100	0	+0⅛	10.27
Venezuela 11½ 91	100	100⅛	100⅝	−0⅛	+0¼	11.39
World Bank 10 91	250	102⅜	103⅛	−0⅛	+1⅛	9.50

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	102⅛	102½	0	+0⅞	7.17
Asian Dev. Bank 8 90	80	102½	102⅞	+0⅛	0	7.57
Australia 6¾ 93	100	103⅛	103⅝	−0⅛	+2	6.30
Belgelectric 7½ 91	80	100⅛	100½	0	+0⅛	7.44
Bell Canada 7¼ 93	100	105	105½	0	+2⅛	6.59
Aut. de Autopistas 8 90	50	100	100⅞	−0⅛	+0⅞	7.97
Denmark 7¼ 91	100	99⅛	99⅝	+0½	+2¼	7.35
Dome Petroleum 7¼ 91	100	102⅛	102⅝	+0⅞	+1⅛	5.88
EIB 7¼ 92	100	101	101½	−0½	+2⅛	7.07
Elec. de France 7 92	100	100⅛	101	+0⅜	+3	6.97
ENEL 8 92	44	100⅛	101	−0⅛	+1⅛	7.90
Genstar 7 91	100	101½	101⅞	+0⅜	+0⅜	5.77
I/S Elsam 8½ 91	60	104⅛	105	+0⅛	+1⅜	7.75
Japan Air Lines 7¼ 91	100	104	104¼	0	+1⅛	6.55
Neder. Gasunie 8 91	100	106⅛	107	0	+0½	6.99
Nippon T and T 6¾ 92	100	102½	102¾	−0⅜	+2⅜	6.26
OKB 7¾ 91	100	100⅛	101	+0⅞	+2½	7.12
Oslo, City of 8 91	100	104⅛	104⅞	−0⅛	+0⅞	7.29
Ost. Donaukraft 7 92	100	100⅛	101	+0⅛	+2⅛	5.87
Saint-Etienne 8½ 91	20	105	105⅛	−0⅛	−0⅛	7.72
Swed. Ex. Cred. 7¾ 91	75	97⅛	97⅝	+0⅛	+0½	7.68
TNT O/S Fin. 8 91	50	104⅛	105	+0⅛	+0⅞	7.27
Transcanada Pipe 7 91	100	102	102½	−0⅛	+0⅛	6.73
Unilever NV 7½ 93	100	106⅛	106½	−0⅛	+0⅛	6.69
World Bank 7 90	100	101	101⅛	+0⅛	+1⅞	6.81
World Bank 8 91	100	105⅛	105⅝	+1⅞	+2	6.81
				+0⅛	+0⅜	7.22

Average price changes... On day +0⅛ on week +1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	100	101	0	+1	8.17
Australia 8⅛ 88	20	91¾	92¼	0	+0⅛	8.25
EIB 7¾ 89	12	98¾	99¼	0	−0⅛	7.96
Finland, Rep. of 8⅛ 87	15	100⅛	101⅛	+0⅛	+1⅞	8.18
Int.-Amer. Dev. 8⅛ 91	15	102⅛	103⅛	+0⅛	+1⅛	8.36
New Zealand 8⅛ 87	15	100⅛	101⅛	0	+0⅛	8.15

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†98½	99	+0¼	+0½	17.19
CIBC 15¾ 99 C$	75	†96⅛	96¾	+0⅛	+1¼	16.84
Pancanadian 16½ 88 C$	65	†97¾	98⅛	+0½	−0⅛	16.96
Quebec 17½ 97 C$	50	†102½	103½	0	0	16.56
Queb. Urban 16¾ 86 C$	20	†100	101	0	0	16.52
Tordom Cpn. 16½ 88 C$	25	†97½	98	0	+0½	17.12
Transalta 17 89 C$	50	†100	100½	0	+1¾	16.92
M. Bk. Dnmk. 9 91 EUA	25	86½	87¾	0	−0¼	11.23
SOFTE 8¾ 89 EUA	40	78¾	80	0	−0⅛	12.85
U. Bk. Nwy. 9½ 90 EUA	12	92	93⅛	0	0	10.93
Algemene Bk. 10¼ 86 Fl	60	99½	100	−0⅛	+0⅛	10.33
Amfas Group 12¼ 86 Fl	40	103¼	103¾	+0⅛	0	11.21
Amro Bank 12 86 Fl	75	103¾	104¼	+0⅛	+0⅛	10.75
Amro Bank 12 88 Fl	60	103¼	104⅛	+0⅛	+0⅜	10.82
Heineken NV 10 87 Fl	100	96¾	97⅛	0	+0⅛	10.77
Pierson 10¼ 86 Fl	50	98⅛	98⅞	0	+0⅜	10.69
Rabobank 12 88 Fl	50	103	103⅛	−0½	+0⅜	10.97
OKB 14 88 FFr	400	93½	94¼	0	+0¼	16.06
Solvay et C. 14¾ 88 FFr	200	94⅜	95⅛	0	0	15.59
Acona 14 85 £	20	94⅛	95⅛	+0⅛	+2⅛	15.90
Beneficial 14½ 90 £	20	86⅛	87¼	0	+0½	17.24
BNP 13½ 91 £	15	90⅛	91⅛	−0⅛	+2⅛	15.43
CECA 13½ 88 £	20	94	95	+0⅛	+2⅞	14.81
Citicorp O/S 13½ 90 £	50	94⅞	95⅞	+0⅛	+3	14.50
Fin. Ex. Cred. 13¾ 88 £	15	95⅛	96⅛	+0⅛	+2⅞	15.25
Hiram Walker 14¾ 86 £	25	86	97	−0⅛	+1	15.43
Privatbanken 14½ 88 £	12	92⅛	93⅛	−0⅛	+1⅜	16.48
Rood (Nd) NV 16¾ 89 £	25	100⅜	101⅜	−0¼	−0¼	19.52
J. Rothschild 14⅛ 90 £	12	96¾	97¾	0	+2⅛	14.79
Royal Trustco 14 88 £	12	95¾	96¾	+0⅛	+1⅞	15.32
Swed. Ex. Cr. 13¾ 86 £	20	95⅛	96⅛	−0¼	+1⅛	15.28
Akzo 9¾ 87 LuxFr	500	91⅛	92⅛	0	+1⅛	11.25
Euratom 9¾ 88 LuxFr	500	92⅛	93⅛	−0⅛	+4⅛	11.51
Eurofima 10½ 87 LuxFr	500	95⅛	96⅛	+0⅛	+2	11.44
EIB 9¾ 88 LuxFr	600	93⅛	94⅛	0	+3⅞	11.28
Volvo 9¾ 87 LuxFr	500	92⅛	93⅛	+0⅛	+3⅝	11.39

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 91	0¼	99¼	99¾	29/4	17.06	17.15
Bank of Tokyo 5¼ 91	0⅛	100⅛	100⅝	10/6	13¼	13.13
Bk. Nova Scotia 5¼ 93	0⅛	99½	100	29/4	17.06	17.11
BFCE 5¼ 88	0¼	99⅜	100½	26/4	16.84	15.96
BFCE 5¼ 87	0¼	99⅞	100⅜	27/7	15¼	13.23
Christiania Bk. 5½ 91	‡0¼	89⅛	99⅞	5/5	16	15.06
Co-Ban Eurofin 5½ 91	0¼	98¾	99¼	14/4	15.69	13.88
Credit Nat. 5⅛ 94	0¼	99¼	99¾	9/3	5¼	5.29
Denmark, Kngdm. of 92	0⅛	98⅛	99⅛	25/2	15.44	15.51
Den Norske Cred. 5½ 93	0⅛	97¾	98¼	4/5	13.56	13.84
Genfinance 5¼ 92	0¼	99⅜	100⅛	30/5	15½	16.50
GZB 5¼ 92	‡0¼	99¼	99¾	8/5	14.84	15.01
Ind. Bank Japan 5¼ 88	0¼	99¾	100⅛	9/5	13.31	13.31
Lloyds Eurofin 5⅛ 93	§0⅛	99⅜	98⅛	29/4	17.13	17.12
LTCB Japan 5½ 89	0¼	99⅛	99⅞	16/7	15.31	15.37
Midland Int. Fin. 9 91	0¼	99⅝	100⅛	30/4	17.08	17.08
Nacional Fin. 5½ 88	0¼	†96½	87	25/3	17.31	17.89
Nat. Bk. Canada 5¼ 88	0¼	99⅜	99⅞	24/3	17.31	17.38
Nat. West. Fin. 5¼ 91	§0⅛	99⅜	99⅞	15/7	15.19	15.24
Nippon Credit 5¼ 90	0¼	99½	100	10/8	15.06	15.10
Nordic Int. Fin. 5½ 91	0¼	98⅝	99⅛	5/5	15⅝	15.80
Offshore Mining 5¼ 91	0¼	99⅛	99⅝	2/6	13	13.13
Pemex 6 91	0¼	96½	97	8/4	17	17.57
PKbanken 5 91	0¼	99	99½	17/9	14⅜	14.48
Sanwa Int. Fin. 5¼ 88	0¼	†98⅛	98⅝	24/3	17⅜	17.34
Scotland Int. 5¼ 92	0¼	96½	98	23/3	13.94	14.11
Sec. Pacific 5¼ 91	0¼	98⅞	99⅜	24/5	13⅜	13.37
Societe Generale 5¼ 91	0¼	98⅞	99⅜	22/7	15⅜	15.38
Standard Chart. 5¼ 91	0¼	98½	99	18/5	13.31	13.48
Sumitomo Fin. 5½ 88	0¼	99⅝	100⅛	5/3	16	16.00
Toronto Domin'n 5¼ 92	0⅛	100⅛	100⅝	11/3	15⅛	15.31

Average price changes... On day −0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	88⅛	89⅝	−3¼	2.77
Bow Valley Inv. 8 96	4/81	23.12	92½	94¼	−1⅞	82.18
Bridgestone Tire 5½ 96	9/82	470	83	84½	−3⅛	−4.84
Canon 6¾ 95	1/81	829	87	88½	−7⅞	−1.28
Daiwa Secs. 5½ 96	12/81	513.3	†82	84	−2	−8.97
Fujitsu Fanuc 4½ 96	10/81	6770	86½	87¾	−11¾	−0.06
Furukawa Elec. 5¾ 96	7/81	300	100	101	−0⅛	−4.62
Hanson O/S Fin. 9½ 96	9/81	1.36	†89	90	−4⅛	−5.51
Hitachi Cable 5¼ 96	2/82	515	88½	90	−2⅛	−2.61
Hitachi Cred. Cpn. 5 96	7/81	1773	73½	75½	−5½	−2.10
Honda Motor 5½ 97	3/82	841	79¼	80⅛	−5⅝	0.48
Inchcape 9 95	2/81	4.55	†60½	62	0	21.11
Kawasaki 5¼ 96	9/81	229	64⅛	65⅞	−2⅛	−1.02
Marui 6 96	7/81	931	92½	94	−2¼	3.32
Minolta Camera 5 96	10/81	909	59¾	61⅛	−2½	6.30
Minorco 9¾ 97	5/82	5.15	77	79	−7	5.42
Murata 5⅞ 96	7/81	2190	59⅛	61	−2⅛	10.90
NKK 6½ 96	7/81	198	73⅛	75⅛	−5⅞	−27.55
Nippon Chemi-C. 5 91	10/81	919	60	62	0	10.05
Nippon Electric 5¼ 97	2/82	846	91⅛	92⅞	−3¾	7.11
Orient Finance 5¼ 97	3/82	1567	87⅞	89⅛	−2¾	3.39
Sanyo Electric 6 96	10/81	652	66½	68	−3	1.37
Sumitomo Met. 5¼ 96	10/81	305	61½	62⅞	−9	4.09
Swiss Bk. Cpn. 6¾ 90	9/80	191	71	72½	−0⅜	15.09
Konishiroku 5 90 DM	2/82	565	100	101	−0⅞	−1.17
Mitsubishi H. 9 89 DM	2/82	263	93½	94⅛	−1⅛	10.88

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Philips shows modest increase

By Michael van Os in Amsterdam

Philips, the Dutch electrical group, reports attributable profits of Fl 357m ($140m) for 1981, fractionally up on the previous year's Fl 345m. Sales rose 16 per cent to Fl 42.4bn while actual volume increased by 5 per cent.

The board said sales growth, which was achieved despite the world recession and continuing sharp competition in many markets, could be described as "substantial." In 1980 sales rose by 10 per cent, including a volume gain of 7 per cent.

Trading profit last year improved to Fl 2.2bn (5.2 per cent of sales) from Fl 1.8bn (5 per cent). But mainly as a result of increased financing charges, profit after tax dropped sharply to Fl 370m from Fl 544m.

The trading profit includes special income of Fl 385m resulting from the changed method of determining provisions relating to stocks and accounts receivable, as well as a charge of Fl 267m (Fl 158m in 1980) for restructuring costs.

The board said the restructuring was being continued "more intensively and at an accelerated pace." In view of this, a provision of Fl 525m has been created for additional restructuring among Philips' consumer electronics and information systems divisions. This has been charged against the profit and loss account.

Philips points out that stocks as a percentage of sales had fallen to 29.2 per cent in 1981, against 32.8 per cent in 1980.

The geographic breaking down of trading profit shows that North America accounted for Fl 356m (3.7 per cent of deliveries), marginally less than the Fl 373m (5.8 per cent of deliveries) of 1980.

The board proposes a maintained total cash distribution of Fl 1.80 per share, of which Fl 1.60 is dividend and a Fl 0.20 distribution from retained profit. Net profit per share amounts to Fl 2.08 against Fl 2.01.

● Wereldhave, the Dutch property group, reports direct investment income of Fls 26.3m for 1981, against Fls 23.5m a year earlier. The company said yesterday that its overall results had also developed favourably.

The rate of increase in the value of properties held was slower than in 1980, but the depression in the Dutch market had nonetheless been largely compensated for by the growth of Wereldhave's foreign property portfolio.

$75m bond issue for Pennzoil

By Alan Friedman

A $75m eight-year Eurobond is being offered by Pennzoil, the U.S. lubricating oil and energy exploration group. The issue, being led by Merrill Lynch, carries a 15¾ per cent coupon and a price of 99¾ to yield 15.35 per cent.

The bonds are non-callable for five years and can be redeemed in the sixth year at 101. The redemption price will decline by ½ per cent each year to par. The initial reception for Pennzoil appeared to be lukewarm yesterday, partly because of the borrower's A-minus rating from Standard and Poor's and also because of its heavy involvement in the energy field.

In the secondary market prices closed ½ of a point lower last night, marking a slight afternoon recovery after dealers marked paper down in the morning. The new Kingdom of Spain issue does not seem to be selling particularly well with the paper being sold yesterday at sizeable discounts.

The D-mark and Swiss franc foreign bond markets both enjoyed active trading yesterday, with prices unchanged in the German market and up by a ¼ of a point in Switzerland.

In the Euro D-mark sector, WestLB's DM 100m paper for Gaz de France was priced two days early and the coupon was cut from an indicated 9¾ to 9½ per cent. The French borrower is said to have had a very good reception in this market.

Traders in the Euro D-mark sector are hoping for a further decline in short-term interest rates. The market is currently in an optimistic mood.

The Swiss franc foreign bond sector is likely to provide a warm welcome for the SwFr 100m 10-year paper for Philip Morris. The indicated yield is 6¾ per cent, suggesting a truly low coupon relative to current market conditions. UBS is lead-manager.

The SwFr 55m issue for Swedish Export Credit Corporation was priced yesterday with a 7¾ per cent coupon at 100¼. This suggests a 7.68 per cent yield.

COMPONENTS GROUP BUYS 5% STAKE

RCA moves to fend off Bendix

BY DAVID LASCELLES IN NEW YORK

RCA, the large but troubled electrical and broadcasting conglomerate, is scrambling to fend off an unwelcome approach by Bendix, an aggressive industrial concern based in Detroit which has bought more than 5 per cent of RCA's stock and says it wants to buy more.

News of the purchase caused a minor sensation on Wall Street yesterday, where it is thought RCA's troubles could lead to dismemberment of the group, or even outright takeover.

Bendix revealed that it had bought a little more than 5 per cent of RCA's shares—it did not give a precise total—and might take its holding to 9.9 per cent. The purchase was "for investment purposes only" and Bendix did not want "acquisition, merger or reorganisation" of RCA.

RCA promptly responded that the purchase "is not welcomed by RCA." A bitterly worded statement went on to denounce Mr William Agee, and to say that the move was not in the interests of either RCA or Bendix shareholders.

RCA said it would take "all action necessary" to protect itself. It has retained its investment bankers, Lehman Brothers Kuhn Loeb, and Lazard Freres, as well as the services of the law firm, Wachtel, Lipton, Rosen and Katz, which specialises in fighting takeovers.

The announcement triggered speculation on Wall Street that RCA might seek a friendly takeover or hasten its efforts to sell various subsidiaries to improve its financial position. It has already put two of its companies, Hertz, the car rental company, and CIT, a financial services subsidiary, on the block.

RCA's profits have been falling sharply because of a string of ill-advised business decisions in recent years and turmoil in the executive suite, while a heavy debt burden has not helped. But a new chairman, Mr Thornton Bradshaw, is trying to turn RCA round by bringing it back to basics, and he warned yesterday that interference could jeopardise his plans.

Bendix, which makes automotive parts, has adopted a policy under Mr Agee of cutting its exposure to cyclical industries and moving into high technology. A strong of divestitures has left it with more than $500m in the bank for acquisitions. Mr Agee, a youthful and articulate businessman, has drawn both admiration and controversy. While pepping up Bendix, he has also been accused of riding roughshod over his fellow directors.

Bendix was yesterday thought unlikely to be in a position to buy RCA, which has a market capitalisation of about $1.5bn. But it might settle for Hertz or a high technology division such as satellite communications. Bendix has aerospace components businesses.

Mr Christopher Stavrou, an analyst and arbitrager at Evans and Company, a Wall Street investment firm, said Bendix was shrewd to buy stock in the open market rather than make a tender offer. RCA's stock was weak in a collapsing stock market, he said, and there were many disappointed RCA shareholders keen to sell. RCA's stock is trading at around $20, a mere fraction of its all-time high of more than $60 in 1967.

● In the late 1970s Bendix built up a 20 per cent holding in Asarco, the metals and minerals group, and last year completed the sale back to Asarco of the stake for $335m, registering a net gain on the transaction of $75m. A year ago Bendix bought a fifth of its own shares on the open market for $320m.

Fiat subsidiary in steel venture with Finsider

BY RUPERT CORNWELL IN ROME

ITALY'S developing strategy of co-operation between public and private industry has paid its biggest dividends yet with a draft agreement on the transfer of a sizeable part of the activities of Teksid, the steel subsidiary of Fiat, to Finsider, the steel division of the state conglomerate, ENI.

The scheme, announced yesterday by Sig Gianni de Michelis, Minister for State Shareholdings, is broadly divided into three parts. These cover flat roll steel, non-rusting steels, and special steels.

Under the first agreement, the two groups will set up a new company to produce steel for car bodies, 80 per cent owned by Finsider with the remaining 20 per cent held by Teksid.

The second prong of the agreement provides for the acquisition by Terni and Terninoss, other Finsider subsidiaries, of the Turin-based factories of Teksid which produce non-rusting steel. The new grouping will cover about 6 per cent of the domestic market.

The third part of the deal will involve the establishment of a new joint venture, 51 per cent owned by Finsider and 49 per cent by Teksid, to embrace the special steels interests of the two groups.

GE to set up trading unit

BY OUR NEW YORK STAFF

GENERAL ELECTRIC (GE), the largest U.S. electrical and electronics equipment maker, is to set up a trading company to market its own and other companies' products around the world.

To be known as General Electric Trading Company (GETC), the new offshoot will have something in common with the large Japanese trading companies which deal worldwide in a large variety of goods but are closely tied to a parent industrial organisation. GE is the U.S.'s largest exporter of a diversified product range, although some narrowly based companies are larger.

U.S. Steel faces vote test on Marathon merger

BY PAUL BETTS IN NEW YORK

THE LAST act in the $6.4bn merger between U.S. Steel and Marathon Oil is moving towards a tense climax. Marathon shareholders meet tomorrow in the oil company's Findlay, Ohio, headquarters to vote on the deal.

So far, it is far from certain whether Marathon shareholders will vote by a two-thirds majority to enable the merger to be consummated. During the past few weeks, a group of Marathon shareholders have launched a strong campaign to block the marriage.

Although dissident shareholders—grouped in a so-called Marathon Shareholders' Committee—suffered a setback yesterday when a U.S. Federal judge denied their request to block the U.S. Steel-Marathon deal, they continued to intensify their efforts to stop the merger.

The dissidents include, among other large shareholders, the Dreyfus Fund, which controls 700,000 Marathon shares.

The acquisition involved a first stage whereby U.S. steel acquired 51 per cent of Marathon stock for $125 a share. The second stage involves an exchange of new U.S. Steel 12½ per cent notes with a face value of $100 for each of the remaining Marathon shares.

When U.S. Steel first made its friendly offer last winter, the note portion of the merger was valued at about $86 a note. But the estimated value of the notes subsequently declined to about $75 as U.S. interest rates have increased.

However, interest rates have started to ease again in the U.S. while oil stocks are suffering from a major institutional selloff. As a result, the U.S. Steel notes now appear more attractive, undermining the dissidents' position, especially as a shareholders' rejection of the merger would probably lead to a substantial drop in Marathon's share price from its current $75.

Fears of a possible drop were reflected in the decision by Morgan Guaranty Trust Company, which holds about 1.3m Marathon shares for clients, to vote in favour of the merger. The bank said yesterday that recent developments affecting both the oil and securities market and a review of the offer had led its trust and investment department to change its earlier tentative opposition to the deal.

Novo lifts dividend as profits surge upward

BY HILARY BARNES IN COPENHAGEN

NOVO INDUSTRI, the Danish pharmaceuticals and enzymes group, plans a dividend increase following a sharp rise—from DKr 239m to DKr 449m ($57m)—in pre-tax profits for 1981.

The dividend on "A" shares, which are held by the Novo Foundation, is going up from DKr 6 to DKr 15, and the "B" share dividend from DKr 13 to DKr 15, lifting total dividend costs by DKr 28m to DKr 68m.

Sales increased by 41 per cent to DKr 2.23bn as a result of increased demand and favourable movements in the exchange rates in which most of the group's sales are invoiced. About 97 per cent of sales are made abroad and the average exchange rates for the dollar and yen against the krone improved by 26 and 29 per cent respectively last year.

After tax, profits increased by 94 per cent from DKr 176m to DKr 341m, pushing up fully diluted earnings per share from DKr 47 to DKr 81.

Capital spending increased from DKr 201m in 1980 to DKr 303m last year, including a 50 per ceot increase in the production capacity in the U.S., at Novo Biotechnical Industries. Further expansion is under way which will double the capacity of this plant.

Investments also inclnded completion of a highly automated granulation plant for detergent enzymes, expansion of enzyme fermentation capacity, and modernisation and expansion of insulin and pharmaceutical production facilities in Denmark.

During the year, Novo's capital was more than doubled from DKr 827m to DKr 1.79m. Close to half the increase came through an issue of shares in the U.S. Novo is also listed in London.

Squeezed margins hit Rabobank

BY OUR FINANCIAL STAFF

RABOBANK, the Dutch agricultural co-operative bank, reports an 0.8 per cent deciline to Fl 525m ($205m) in net earnings for 1981. Demand for new credit was flat and interest margins came under pressure.

Total income rose by 8 per cent to Fl 3.36bn, but total costs were up by 9 per cent to Fl 2.0bn. The provision for general risk was increased by 25 per cent to Fl 473m. Rabobank said this was necessary despite scanty growth in outstanding loans. It described current trading as a high-risk situation.

Net profit for 1981 was "scracely satisfactory" relative to the increased volume of business conducted. One negative factor was the pressure on interest margins.

The extension of new credit fell by 17 per cent to Fl 12.1bn, with agricultural demand falling by 33 per cent. Private consumer and mortgage loans declined by 6 per cent. However, Rabobank suggests that the housing market may have reached a bottom. Provided interest rates continue to ease, it expects an upturn this year.

Funds deposited as savings rose by 10 per cent to F 52bn and the relative decline seen over recent years appears to have stopped.

In the current year, Rabobank sees signs of improved prospects for growth in credit demand and as a result net profits should show "some increase." Balance-sheet total at end-1981 was Fl 110.4bn, up 13 per cent.

Tunisia and UAE set up joint bank

By Patrick Cockburn in Dubai

TUNISIA and the United Arab Emirates are to set up a joint investment bank with a capital of $100m under an agreement signed in Abu Dhabi by Mr Mohammed Mzali, the Tunisian Prime Minister, who is touring the Gulf.

It is to be called the Emirates-Tunis Bank and will have its main office in Tunis with branches in other Arab capitals.

Tunisia has signed a similar agreement to set up joint investment banks, each with a capital of $200m, with Saudi Arabia and Kuwait. Last week Mr Mzali reached an agreement with Qatar to set up a bank with $140m capital to finance industrial, agricultural and tourist projects.

Norwegian bank raises payout by 2% to 14%

BY FAY GJESTER IN OSLO

NORWAY'S largest commercial bank, Den norske Creditbank (DnC), reports a sharp rise in both profits and total assets for 1981.

Operating profits, before write-offs, climbed by NKr 118.2m to NKr 362.5m ($61m), a rise of nearly 50 per cent. Assets also increased sharply—by NKr 6.2bn to NKr 28.2bn—so the rise in earnings as a proportion of capital employed was less marked.

The bank plans a 14 per cent dividend—12 per cent as in 1980 plus an extra 2 per cent to mark the bank's 125th anniversary.

The board's report said that DnC had set itself a higher profit target for 1982, but whether this target could be achieved would partly depend on official credit policies.

Deutsche Bank gets U.S. go-ahead

THE Federal Reserve Bank of New York has approved the application of Deutsche Bank to increase to 100 per cent its shareholding in Fiat Credit Services and to expand the non-banking activities of its subsidiary, Fiat Credit Corporation, Reuter reports from New York.

Fiat Credit was a joint venture between Fiat, the Italian motor group, and Deutsche Bank engaged in financing, leasing and insurance.

AEG sees modest increase in sales

By Stewart Fleming in Frankfurt

AEG - TELEFUNKEN, the struggling West German electrical concern, foresees no immediate improvement in the domestic economy and therefore shareholders can expect only modest increases in sales and orders this year, largely as a result of foreign business.

In a letter to shareholders the company says that in 1981 sales increased by 3 per cent to DM 14.8bn ($6.3bn). New orders during the year rose from DM 14.4bn to DM 15.4bn as a result of a 21 per cent increase in foreign orders to DM 7.2bn.

The statement confirms that the company will report a "balanced result"—neither a profit nor a loss — in its 1981 accounts. The company said in December that it suffered a DM 650m operating loss last year, which has been covered by asset sales and loan write offs by its bankers.

The main problems the company faced in 1981 were a sharp rise in interest costs on its outstanding DM 5bn of debt, and losses in its consumer electronics operations, especially overseas.

The company said that efforts to improve profitability were continuing, with particular emphasis on overseas operations. It added that over the course of the last year capital investment spending on broadening capacity rather than on rationalisation and replacement had been gaining in importance.

AEG asserted its DM 700m contract to deliver 47 gas turbines for the Soviet gas pipeline to Western Europe could still be realised despite "politically - created difficulties."

The company is "actively looking" for alternatives to the blocked delivery of vital U.S.-made parts for the turbines to be built by its subsidiary, AEG-Kanis, under licence from General Electric of the U.S.

One possibility being explored is to try to obtain substitute equipment made under licence from GE by the French company, Alsthom-Atlantique, although the French company said in January that it could not replace the U.S. parts without serious delays and disruptions of its own production plans.

Swiss retailer launches into fast foods

BY BRIJ KHINDARIA IN GENEVA

MAJOR SWISS retailer, Co-op Switzerland, plans to launch itself into the hamburger style fast foods business in an attempt to boost flagging turnover.

The company, which is the second largest foods and household goods retailer after Migros, runs an extensive chain of restaurants and self-service outlets which in recent years have begun to lose market share to the U.S. fast foods invasion.

At a time when Swiss consumer spending in general has been going through a quiet period, the success of companies like McDonald's and Burger King have only added to the Co-op's problems of sluggish revenue.

As an antidote, it plans to launch a counter-attack in the fast foods market. It will open four "Burgerland" restaurants this year and add a further 12 to its chain by 1985.

Co-op comprises 66 independent consumer co-operatives. It has nine distribution centres and 47 production and service companies which produce a wide range of foods, some clothes and chemical products like washing powder.

Turnover ranges between SwFr 6bn and Sw Fr 7bn ($3.8bn) a year. As a co-operative it keeps margins slim, and ploughs any profits straight back into the communal business.

Growth has been slow in recent years mainly because of sluggish retail sales as a result of weak consumer spending. Co-op derives nearly three-quarters of turnover from 12 of its largest independent co-operatives located in major urban centres. It is now trying to widen its revenue base by using warehouses serving wider regions and by integrating some small- and medium-sized co-operatives into bigger units.

While struggling to streamline operations and create better co-ordination among the various separate co-operatives, the group as a whole is also being harassed by government attempts to put a limit on the expansion of Switzerland's large supermarket and retai chains in order to protect small shopkeepers.

Both the Co-op and its larger rival, Migros, stand to be seriously hampered by new legislation. Migros has annual sales of around SwFr 7bn.

In launching its expansion programme, the Co-op has sifted the retail buying habits of consumers and come to the conclusion that the Swiss are ripe for fast foods. With manpower costs rising they are also increasingly turning to do-it-yourself stores.

The Co-op is convinced that the experience of McDonald's and of the world'a second largest hamburger chain, Burger King, in Switzerland reflects changing Swiss eating habits.

McDonald's now has six restaurants in Switzerland and a seventh is due to open this year. Burger King opened its first restaurant in Lugano in April last year and will start two, in Berne and Sait Gallen, this summer.

A smaller chain, Wendy Hamburgers, will open three new restaurants this year. In contrast, Wimpy is reported to be looking for buyers for its three restaurants in Switzerland.

The Co-op is entering the fast-food business with some sense of embarrassment and is trying hard to dispel the impression that it is betraying Swiss concepts of lazily consumed gastronomic meala.

It has published a document defending fast foods and has pledged to use only "prime Swiss beef." It says it is responding to the need for healthy but low-cost food for young people, working mothers and workers with short lunch breaks.

INCREASED PAYOUT AND SCRIP ISSUE PROPOSED

Hongkong Bank tops HK$2bn

BY KEVIN RAFFERTY IN HONG KONG

GROUP AFTER-TAX profits for 1981 at the Hongkong and Shanghai Banking Corporation was approximately HK$2bn (US$345m), a rise of 39.97 per cent on the published figure for 1980.

The bank plans a final dividend of 44 cents a share, bringing the payout for the year to 65 cents, compared to the adjusted 1980 total of 49 cents. The total for 1981 will cost HK$996.4m, a rise of 37.6 per cent.

A one-for-three scrip issue is also planned through the capitalisation of almost HK$1.3bn from the reserve fund by a charge to the share premium account. Transfers to the published reserves of the bank will come to HK$200m. No separate figures were given for the banks within the group which now includes Marine Midland (51 per cent owned), Hang Seng Bank (61 per cent), British Bank of the Middle East, and Mercantile Bank.

Profits were in line with analysts' forecasts ranging from HK$1.9bn to HK$2.39bn. Published figures exclude transfers to hidden reserves. The Bank does not publish the size of the transfer or the reserves total, a figure said to be known to only six or seven people.

Hong Kong accounts for about 70 per cent of the bank's business and the last year has seen an average prime rate of 17.5 per cent. Spreads narrowed as customers switched to time deposits but loans and advances grew by 41 per cent. The bank dominates banking in the colony and with Hang Seng, the largest Chinese bank, may hold as much as 60 per cent of total Hong Kong deposits.

In the U.S. the performance of Marine Midland Bank has greatly improved. It is preparing itself for deregulation in the U.S. which could allow it to expand outside its New York State base. Last year was its first full period of contribution to the parent's earnings.

Hong Kong Bank says lower oil prices have contributed to an easing of inflationary pressures but with tight monetary policies prevailing in most industrialised countries, interest rates have remained high. These factors, together with efforts to restrain the increase in public expenditure, will inhibit economic growth in 1982.

Nevertheless the bank expects a sufficient profit increase in 1982 to distribute at least the same in dividends as for 1981. This would come to 48 cents a share on the increased capital.

KMB boosts dividend after jump in profits

By Our Hong Kong Correspondent

KOWLOON MOTOR BUS, the largest bus company operating in Hong Kong, has announced a substantial increase in profits despite earlier complaints that life was getting so difficult that it needed a helping hand from the Government in the form of a HK$40m (U.S.$6.5m) subsidy.

Net profits for 1981 were HK$120m compared to HK$33m in the previous 10½ months. Profit attributable to shareholders was HK$104m against HK$35.1m in the 1980 period.

The company did not break down the results between bus operations, in which it is limited by the Government to a return of 16 per cent on the average net fixed assets, and other activities.

It has declared a final dividend of 30 cents a share and a cash bonus of 20 cents making a total of 60 cents for the year against 10 cents a year earlier.

KMB feared that it would do worse in 1981 because a fare increase was allowed later than it said it needed it. It was also worried that higher fares might drive passengers off the buses. It took a subsidy from the Government, but later returned the money.

Genting drops casino licence bid

BY WONG SULONG IN KUALA LUMPUR

GENTING BERHAD, the Malaysian casino group, has withdrawn its bid for a licence to run the Surfers Paradise Casino licence in Queensland, Australia.

In a one sentence announcement to the Kuala Lumpur Stock Exchange, Genting said its joint venture company, Paradise Corporation, had pulled out of the race because it could not comply with new equity requirements imposed by the Queensland Government.

Its withdrawal means that only two contenders — Majura Robina Consortium, owned by Singapore's Robin Loh, and Mr Kerry Packer, the Australian media magnate, and Jennings Industries, an all-Australian group — are in the running for the licence.

Until a month ago Genting was considered the front runner for the licence, but slipped back following various allegations and adverse publicity in the Australia media against Mr Eddi Kornhauser, its Australian partner.

Genting's claim that it was pulling out because of the unexpected new equity rules was challenged by the Queensland Government, which said the rules also apply to the two remaining contenders. The nature of the rules was not disclosed.

Genting, however, will still have a 13 per cent indirect interest in the Townsville casino in Queensland through World Resorts, in which it bought a 40 per cent stake last year from A$6m (U.S.$6.8m).

The licence for it has been given to Breakwater Island, a company controlled by Sir Leslie Thiess, the Australian industrialist.

Management services for the proposed Townsville casino/hotel complex will be provided by Genting.

Record result for Mitsubishi Australia

BY OUR FINANCIAL STAFF

MITSUBISHI MOTORS Australia, formerly the local Chrysler operation, has increased its net profits for 1981 by more than 150 per cent to A$17.73m (US$19.2m). Sales rose by 16 per cent to A$496.89m.

The previous earnings record of A$12.29m, in 1979, was followed by a year of intense competition and discounting which cut 1980's figure to A$7.01m.

Mr Graham Spurling, managing director, said unit sales rose by 7.6 per cent to 67,900 from 63,100 in 1980. This compares with a 5.4 per cent increase in Australian new vehicle registrations

He forecasts increased pressure on 1982 profit margins because of continuing price competition and higher wage and other production costs. In addition, the company faces large interest charges on borrowings to fund its expansion

The Japanese-owned company stands alone among the five Australian car makers in advocating the end of import quotas by 1990. The others — General Motors-Holden's, Australia, Nissan, and Toyota — want quotas maintained.

Further delay to NZ smelter

PLANNING applications for the Aramoana aluminium smelter in New Zealand have been shelved because the consortium behind the development has failed so far to find a replacement for Alusuisse which dropped out last October, our Financial Staff reports.

Fletcher-Challenge, the major New Zealand company which has a 50 per cent stake in the consortium, said, however, that negotiations on joining the project were well advanced with Pechiney Ugine Kuhlmann of France and Kaiser Aluminum and Chemical of the U.S.

It had hoped to start work on the NZ$850m (US$545m) smelter this year. Alusuisse pulled out because it said the project would suffer from energy and freight cost disadvantages.

Aramoana has been the centre of widespread controversy on political grounds and because its proposed site is on a beautiful stretch of coast.

Rapid rise in lending by LBI in Japan

By Charles Smith in Tokyo

THE RAPID rise of Lloyds Bank International (LBI) up the league table of foreign banks in Japan sheds some light on the problems facing the banks and some of the solutions.

LBI has increased lending at its two Japanese branches — Tokyo and Osaka—at three times the rate for foreign banks in general in the past two years, according to Mr. Graham Harris, its Tokyo general manager.

The bank now has the seventh largest loan portfolio among the 70 or so foreign banks in Japan. LBI would like to be in the top six but would have to close a 10 per cent gap between itself and the bank immediately ahead of it to achieve this position.

At the top of the league table, Citibank has a loan portfolio about three and a half times the present LBI figure of Y166bn ($700m), while Chase Manhattan and Bank of America are about two and a-half times as large.

The foreign banks together account for no more than 3 per cent of Japanese banking business, but Mr Harris does not see this as evidence of discrimination.

"The aim of the Ministry of Finance," he says, "is to treat us as much as possible as if we were Japanese banks." Within that framework it is up to the foreigners to take what they can.

Mr Harris, who has been Tokyo manager for three years, and is about to depart for Hong Kong, cites three main reasons why lending has grown.

The first is that LBI invested, from the early 1970s onwards, in Japanese language training for non-Japanese staff and thus has a marketing team which today consists mainly of Japanese speakers.

The second is that the bank switched its main emphasis to yen lending about a year before a revision of Japan's foreign exchange control law in December, 1980 ended the monopoly of foreign banks on dollar denominated loans. The admission of Japanese banks to the foreign currency denominated loans "hit some foreign banks for six," according to Mr Harris. By the time it happened, LBI had almost completely ceased to rely on these loans and was successfully building up its yen portfolio.

The third reason is that "we went out and looked for borrowers" while many other banks relied on introductions from Japanese banks. Loan introductions worked well throughout the early- and mid-1970s when the Bank of Japan's window guidance controls on bank lending were artificially suppressing the flow of money to Japanese industry through the big domestic banks.

In the past two years, however, window guidance has been progressively relaxed with the result that today few of Japan's city banks ever need to refuse a loan application on the grounds that they have reached their lending limits.

The bank also claims an impressive profits record, at least by comparison with some of the other UK banks doing business in Japan. Pretax profits of Y918m in the 12 months ending September 1980 were three times those of the next most profitable British clearing bank and somewhat larger than the combined total for all the other UK clearing banks, plus Grindlays.

Early Wall St dip and rally

MONDAY'S SHARP fall on Wall Street was extended yesterday morning in further heavy dealings. However, the market rebounded around mid-session as investors hoped for some signal that President Reagan was willing to compromise on his Federal Budget proposals.

The Dow Jones Industrial Average, after ending 11.89 weaker the previous day at a 22½-month low of 795.47, had shed about 6½ points more by noon yesterday. However, at the 1 pm calculation, the Average was only 0.66 below the overnight level at 794.81. The NYSE All Common Index was just 3 cents easier at $62.00, after further falling to $61.66. Trading volume swelled to 53.56m shares from the substantial level of 43.30m registered at 1 pm on Monday.

Investors were waiting for news of President Reagan's meeting with Senate Republicans that afternoon, in which Federal spending was expected to be discussed.

However, analysts said investors are concerned about a White House statement that President Reagan will not agree to cuts in defence spending, which some senators are seeking in an attempt to hold down the Budget deficit.

Some Energy and Technology stocks benefited from bargain hunting after recent sharp price slides. Schlumberger, trading ex-dividend, rose 1¼ to $41¾, Halliburton ¾ to $32¾ and Digital Equipment ¾ to $74¾, all in active trading. Northwest picked up 1¼ to $56¼, Coastal 1½ to $19½, Houston Oil 1¼ to $17⅝ and Data General 1¼ to $59.

RCA was the most active stock and improved ¾ to $20¼ ex-dividend. Bendix said it has acquired more than 5 per cent of RCA's stock and may acquire up to 9.9 per cent.

Marathon Oil was the second most active issue, up ¾ to $75¾. A Federal Judge cleared the way for Marathon's merger into U.S. Steel. Avon Products receded 1¼ to $24¾. It has completed the acquisition of Mallinckrodt.

THE AMERICAN SE Market Value Index was still down 2.96 at 241.70 at 1 pm, after showing a fall of 3.67 at mid-day. Volume 4.56m shares.

Canada

A further broad and sharp decline took place in active early dealings, reflecting the poor outlook for the North American economy. The Toronto Composite Index dipped 32.2 to 1,535.2 at noon, while Golds lost 39.9 to 1,931.4, Oil and Gas 53.5 to 2,325.8 and Metals and Minerals 45.4 to 1,455.0.

Tokyo

Monday's recovery in Blue Chips proved short-lived, with these quality stocks leading the market broadly lower yesterday in a moderate business.

Many operators and investors had fresh cause to worry due to the fall in the Wall Street Blue Chip Average overnight to below the 800 level despite Monday's U.S. Prime Rate reductions.

The fears on Wall Street regarding the poor U.S. economic outlook was further undermining Japanese market sentiment, already particularly depressed of late by reports of deteriorating Japanese corporate earnings, a sluggish domestic economy and trade tension with the West.

The Nikkei-Dow Jones Average retreated 52.67 to 7,195.80 and the Tokyo SE index 2.91 to 538.94. Falls outnumbered rises on the First Market by 433 to 197 after volume of 250m shares (210m).

The market here cannot resist the fall of Japanese stocks listed in Wall Street, such as Sony, one analyst noted. Sony fell Y140 to Y3,090, Hitachi Y10 to Y615, Matsushita Electric Y20 to Y1,050, Fuji Photo Y20 to Y1,270, Toyota Motor Y20 to Y922, TDK Electronic Y60 to Y3,290 and Nissan Motor Y16 to Y735. However, Victor improved Y20 to Y2,300.

Issues related to Government spending, such as Construction companies and Housebuilders, were also sold because of uncertain prospects, along with many other domestic issues.

Australia

The fresh overnight depression on Wall Street and the further drop in Gold Bullion prices returned Australian markets to their downward trend after Monday's technical rally.

The All Ordinaries Index weakened 5.9 to 463.6, a new low since the index was introduced at the start of 1980. The Oil and Gas sub-group index receded 14.3 to 383.2, Metals and Minerals 4.1 to 330.5 and the All Industrials 4.2 to 617.0.

With upward pressure mounting on local interest rates, Banks fell in fairly heavy volume. ANZ shed 17 cents to A$3.60 and Bank New South Wales 4 cents to A$2.56.

Overall market leader BHP relinquished the previous day's recovery of 18 cents, closing back down at A$7.44, its lowest level since 1979. CSR also lost 18 cents to A$2.88, while News receded 9 cents to A$1.91.

Among Gold Minings, GMK dipped 20 cents to A$2.60 and Golden Grove 6 cents to 25 cents, but Central Norseman picked up 10 cents more to A$3.10.

Elsewhere, Western Mining slipped 6 cents to A$3.42, Bougainville Copper 5 cents to A$1.10 and Cluff Oil 7 cents to 53 cents.

Germany

Buying interest at the lower levels enabled most shares to recoup a part of opening losses during a quiet session. The Commerzbank index lost 2.7 to 707.8.

Investors were cautious after Wall Street closed at a new 22-month low overnight, this restricted Bourse turnover, but the positive mood of the market here remained intact, dealers commented.

Siemens again highlighted firmly, adding DM 1.70 at DM 226.20, after Monday's DM 3.30 advance, as investors who sold Siemens late last year continued to reassess their view of the company's prospects and buy back the shares.

Paris

Bourse prices mainly retreated, with some sizeable falls occurring, primarily reflecting the fresh weakness on Wall Street overnight.

Bouygues, in the Construction sector, dipped FFr 47 to FFr 705, while Alsthom-Atlantique lost FFr 8 to FFr 161.00 in Electricals. In Financials, Schneider fell FFr 9 to FFr 133.00, and in Foods Beghin-Say shed FFr 12.50 to FFr 190.00.

Johannesburg

De Beers Consolidated Mines featured a generally lower stock market, falling 117 cents to R6.20 on heavy selling following its annual results.

Gold shares continued to mirror the falling Bullion price, with Heavyweight Western Deep losing 200 cents to R26.00.

Hong Kong

Spill-over selling from recent weakness pushed stock prices sharply lower at the outset. However, later in the session, technical adjustments along with some short-covering ahead of the announcement of 1981 results by Hongkong and Shanghai Banking brought a recovery, leaving most prices unchanged to slightly higher on balance.

The Hang Seng index, which was down 33 points on Monday, receded 19.57 more to 1,105.79 at the 11.00 am calculation, its lowest point since July 1979. The subsequent rebound took the index back up to 1,129.83 for a modest gain of 4.47 on the day.

Turnover remained rather thin, amounting to HK$199.32m on the four exchanges (HK$193.13m).

Hongkong Bank, with its results due later that day, ended unaltered at HK$14.00.

Closing Prices for North America were not available for this edition.

NEW YORK

Stock	Mar. 8	Mar. 5
[illegible]		

Indices

NEW YORK —DOW JONES

							1981-82 High	1981-82 Low	Since Cmpil'n High	Since Cmpil'n Low
[illegible]										

STANDARD AND POORS

[illegible]										

NY. S.E. ALL COMMON

[illegible]				

MONTREAL

[illegible]				

NEW YORK ACTIVE STOCKS

[illegible]			

CANADA

Stock	Mar. 8	Mar. 5
AMCA Intl.	18½	18½
Abitibi	20¼	20
Agnico Eagle	5⅝	5⅝
Alcan Alumin	23⅛	93½
Algoma Steel	33½	34½
[illegible]		

BELGIUM (continued)

Mar. 9	Price Frs.	+ or —
Petrofina	4,360	—105
Royale Belge	5,200	—100
Soc. Gen. Banq	2,455	—40
Soc. Gen. Belge	1,460	+8
Sofina	3,285	+15
Solvay	8,100	+30
[illegible]		

HOLLAND

Mar. 9	Price Fls.	+ or —
ACF Holding	78	—1.5
Ahold	71.5	
AKZO	28.3	—0.6
ABN	280.5	—1
AMEV	81.5	—1
AMRO	49.1	—0.0
[illegible]		

AUSTRALIA

Mar. 9	Price Aust. $	+ or —
ANZ Group	3.60	—0.17
Acrow Aust	1.69	
Ampol Pet	1.30	—0.02
Assoc. Pulp Pap	1.50	
Audimco	0.06	—0.01
Aust. Cons. Ind.	1.53	+0.02
[illegible]		

JAPAN (continued)

Mar. 9	Price Yen	+ or —
Kubota	334	—1
Kumagai	403	—7
Kyoto Ceramic	3,320	—40
Lion	375	—9
Maeda Cons	570	—10
Makita	725	—9
Marubeni	298	—2
[illegible]		

DENMARK

Mar. 9	Price Kr.	+ or —
[illegible]		

FRANCE

Mar. 9	Price Frs.	+ or —
[illegible]		

GERMANY

Mar. 9	Price Dm.	+ or —
[illegible]		

ITALY

Mar. 9	Price Lire	+ or —
[illegible]		

NORWAY

Mar. 9	Price Kroner	+ or —
[illegible]		

SWEDEN

Mar. 9	Price Kronor	+ or —
[illegible]		

SWITZERLAND

Mar. 9	Price Frs.	+ or —
[illegible]		

AUSTRIA

Mar. 9	Price %	+ or —
[illegible]		

BELGIUM/LUXEMBOURG

Mar. 9	Price Frs.	+ or —
[illegible]		

HONG KONG

Mar. 8	Price H.K.$	+ or —
[illegible]		

JAPAN

Mar. 9	Price Yen	+ or —
[illegible]		

SINGAPORE

Mar. 9	Price $	+ or —
[illegible]		

SOUTH AFRICA

Mar. 9	Price Rand	+ or —
[illegible]		

Financial Rand US$0.70 (Discount of 29¼%)

BRAZIL

Mar. 9	Price Cruz	+ or —
[illegible]		

Turnover: Cr. 10,571.1m. Volume: 1,143.9m. Source: Rio de Janeiro SE.

FINANCIAL TIMES SURVEY
Wednesday March 10, 1982

London Docklands

The 5,100 acres of London's abandoned docklands are now the largest development site in Britain and possibly in Europe. Their rejuvenation is a task made even more formidable by the need to restore a balanced community to an area famous for its local traditions

A new tide to cleanse neglect

By ANTHONY MORETON
Regional Affairs Editor

AT THE end of last month Mr Michael Heseltine, the Secretary for the Environment, was welcomed with polite applause at Beckton, in London's East End when he opened the first house to be built under the aegis of the London Docklands Development Corporation. Later the same night, on the other side of town, he was greeted with a fusilade of eggs when he visited Southall.

In a sense the two events were a geographical role reversal. The rough stuff is normally expected from the East Enders, with their close sense of in-built community and suspicion of well-heeled visitors, rather than from semi-detached suburbia.

The Minister's reception at Beckton, though, could be a portent of the great changes which are just beginning in docklands and which, within a dozen years, could radically change the area's face.

The area east of Tower Bridge presents a sad appearance. Along the Commercial Road, the West India Dock Road and Poplar High Street, the shops are small and ill-tended. Large tower blocks of council flats dominate the landscape and the few attempts by the local councils to build day centres or shopping centres seem like isolated pockets of modernity in an area that needs an enormous pot of paint.

Desolate docks

The trouble is that the docks have gone, and with them most of the economic *raison d'etre* of the area. The cranes have been pulled down and the West India, the Millwall, the Royals and the Surrey are all empty. There is nothing so desolate as an empty enclosed dock, with a little flotsam blown gently to one end.

It is this area that two years ago Mr Heseltine designated the site for the London Docklands Development Corporation, which officially came into being last July. It became the planning authority for the area in September with Mr Nigel Broackes, chairman of Trafalgar House, as its part-time chairman.

The role of the corporation is to be a catalyst to rejuvenate an area of 5,100 acres, stretching eastwards eight miles from the Tower on the edge of the City of London and also including a parcel of land on the other side of the river.

Mr Broackes says it is certainly the largest development site in Britain, probably the largest in Europe. What he has to do is not just a matter of building houses or bringing back industry so much as creating a balanced community in docklands.

At the moment 96 per cent of the housing in the area is publicly owned; so there are few owner-occupiers. This compares with 56 per cent for the whole of London and 40 per cent for Britain.

According to Mr Reg Ward, chief executive of the corporation, "people have simply voted with their feet. They have left here, for Essex and the surrounding areas, where they could buy a house. The real test of our success will be the extent to which we can attract these people back to live and work here."

Much of the early emphasis has been therefore on housing, and the corporation, in conjunction with four major housebuilders — Comben, Wimpey, Barratt and Brosley — has achieved the distinction of having the first one ready on its first site at Beckton in four months.

The intention is to have low-cost houses, around £25,000, within the pocket of young married couples who may wish to purchase them. The houses are, says Broackes, probably the best valne in the South East.

Low-cost homes

First preference has been given to people on the local authorities' housing lists but after an initial month they will be available on the open market. The cost has been kept low because the corporation is anxious to avoid allegations that wealthy people will move in and gentrify the area. This, after all, is the territory of the Limehouse Declaration and one medium-sized house near that of Dr David Owen, one of the four signatories to the declaration, recently went for £250,000.

At Beckton there will be 610 houses, half of which will be owner-occupied, a quarter joint-tenure and the remainder run by the local housing association for rent. One disappointment so far is that the association has been unable to raise sufficient money from the Government for more than 31 houses.

Further housing projects will begin in the Surrey Docks, on the south side of the Thames, in May and in Limehouse and Wapping in September-October. By the end of this year, according to Mr Ward, "we shall have 1,000 units on the ground. In all, we aim to provide 10,000 houses for docklands."

One other card up Broackes' sleeve is to buy empty or vandalised tower blocks from the councils and convert them for owner-occupation, as has been done in Wandsworth, Liverpool and Glasgow. Such a move is almost bound to lead to political opposition but is an imaginative use of resources.

Houses are only one part of the equation; work is the other. Docklands has been successful in attracting a number of major new entrants: Billingsgate on the Isle of Dogs, News International in Tower Hamlets, Associated Newspapers in Southwark, and the Daily Telegraph in Tower Hamlets.

The two really big projects are now under way. Lysander's £200m development on the south side of the river has managed to get going but the £400m Hay's Wharf project, also on the south bank, has run into a few technical problems. Broackes claims that the Government has given qualified approval for about three-quarters of this scheme and "we are going ahead as fast as we can with the developers, St Martins and the English Property Company. I am confident this will go ahead by the end of the year."

When they do start they will give a big impetus to job creation since there is probably eight years' work at Hay's Wharf and five at Lysander, with several thousand construction jobs in each.

One severe disappointment has been the decision by Asda, the northern stores group, to hold up on its hypermarket outlet on the Isle of Dogs after spending £3.5m. The store would have provided 400 jobs almost immediately but problems with the Greater London Council over road access have put it into cold store. Another hypermarket is, however, planned for Beckton and an announcement is expected fairly soon.

Larger units

Elsewhere, Cannon Workshops is being developed at the entrance to the West India Docks for small operations, and 25 larger units are being developed, also on the Isle of Dogs, a favourite site for new developments since it has enterprise zone status and incoming firms not only get a 10-year rate relief bnt relief from development land tax and 100 per cent allowances on new buildings as well.

Such progress would bave been impossible but for the Docklands Joint Committee (DJC), the precursor of the corporation, which did a lot of the groundwork studies and set things in motion. Broackes generously concedes that without the work of the DJC the corporation would have been three years behind.

"But I think the role of the DJC had come to an end. It was time for a body with planning powers to take over. We don't want to be landlords here, though. We are not an acquisitive or dynastic authority. I want us to bave completed our task in relatively few years, pack up and go away and look at it in retrospect with admiration."

If it is to do that one of the most important things now to be sorted out is the question of transport, where the Government has reneged on its original intentions under the pressure of Treasury economies.

Broackes now claims he knew the Jubilee tube line, which was to have been extended from the West End into Docklands, would never happen. "I also took the view that the southern relief road was a bad idea and also would not happen. But the northern relief road is a good idea and we have it. The East London river crossing is a good idea, but now we have the GLC objecting to it."

The lack of new road building will be a serious defect in an area that carries heavy traffic through streets ill-equipped to handle it. One alternative might have been to utilise the miles of Thames waterfront, but there appears to be a conflict of interest between the corporation and the Port of London Authority, which wants to see waterside activity concentrated on its own land downriver at Tilbury.

Transport needs

To overcome this problem the corporation is thinking in terms of a lightrailway/supertram system to run out as far as Beckton. "We would like a light railway but we could do without it," Broackes says. "Other places do without it. Road improvements are more important." This is an understatement.

Transport, as well as housing and industrial developments, all depend on finance; the ability of the corporation to fund its own developments and the ability of the institutions to see the potential of docklands and fund projects such as Lysander.

The Docklands Corporation has a budget of £65m this year and will probably have used £58m, which includes a measure of land acquisition. Next year's budget will be £40m, which is rather less than Mr Broackes would like.

Year three is the crunch, though. By then the corporation hopes to be "really motoring" and if it does not get at least £65m it will be in trouble. After year three, the corporation expects to be returning money to the Treasury in the form of income.

The trouble is that year three could coincide with another government, one perhaps less committed to the plans and aspirations of the corporation. Year three is a crunch year for political as well as financial reasons.

After that the corporation will be really on its way, though Broackes sees the work of the corporation in terms of a short sharp burst rather than a long slow haul.

"This is a long-term project, of course, but it is quite possible that in 12 years the corporation's functions will be complete. For the immediate future we hope that in three, or perhaps even two, years we will have turned the tide and demonstrated a momentum in our favour.

"The significance of what we are doing here in docklands has to be seen in national terms. Nothing like this is happening anywhere else in Britain, perhaps not even in Europe. It is a very big project."

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Development of an adequate infrastructure is essential to the successful integration of the docklands. **William Cochrane** reviews the strategy.

Knitting together the patchwork

"WE ARE making a virtue of having no grand strategy at this stage," says Peter Hadley, commercial development director of the London Docklands Development Corporation.

This may be so. But the LDDC knows that it has to get property developmeot in docklands moving in a big way, and in a limited time. It is also true that the characteristics of the separate areas making up docklaods offer a poteotial developoient pattern, as long as the LDDC can sell tbe area.

The key to investment in docklands, says Mr Hadley, will he infrastructure — involviog road improvemeots and a new public transport system. Meanwbile it is clear that proximity to the City of London, and/or the present undergrouod system, indicate a natural west/east progression.

Mr Hadley concurs. "It is one of the commercial realities of life," be says, "that a oatural gravitational move would take place between the Tower (at the western extremity of the docklands area) and Limebouse."

Residential conversion on the river is already goiog oo and that, alone with lower grade commercial building, would be going on without us. With us," he says, "we sbould see faster development aod higher grade commercial property"—giving as an example the complete redevelopmeot of Limebouse Basin, where it was aoounced in February that the Hunting Gate Group was British Waterways' choice.

Hunting Gate's scheme will involve a £70m investment over six years and the plans will include 600 homes, a 50,000 square feet hypermarket, 66,000 square feet of other shopping, 36,000 square feet of offices, and leisure facilities.

Development cocktails sound nice, but they are not absolutely necessary. One of the major, and long-running initiatives on the Tower to Limehouse stretch has been Taylor Woodrow's redevelopment of St. Katherine's Dock. The latest building In TW's World Trade Centre complex here is International House, 200,000 square feet of net office space with spectacular views of tbe Tower on one side, and St. Katharine's yacht baven on the other.

Ioternational House grosses 320,000 square feet, the high differential between gross and oet reflecting the provision of restaurants, a coffee sbop, wine bar, gymnasium and the World Traders' Club. Peter Drew, cbairman of the development company, St. Katharine's-by-the-Tower and a main bo[illegible] director of its parent company, Taylor Woodrow, sees all this as a strong drawing card for the next phase of the World Trade Centre development, 200,000 square feet of space where the Londoo Commodities Exchange would be an admirable target for the tenancy.

News International's move of its printing plant to Wapping is another "landmark" development, at least in terms of its importance. The aim to build one million square feet of printing plant was regarded as a major start (plans were detailed in late 1979) oo the programme to revitalise docklands.

For a start, it brings about 4,000 jobs into Tower Hamlets. Secondly, it underlines the view that newspapers and other media employers will find attractive lodging in docklands as a whole.

There is some support for this view across the river in Southwark where Associated Newspapers, publisher of the Daily Mail, has been granted outline planning permission to build a new print works in the Surrey Docks area. The group is taking its time over a final decision, but the fact that Southwark is linked into the existing underground system, and bas a big road improvement programme, must be an advantage.

Without doubt, however, the ceotrepiere at Surrey Docks is the plan to build a shop, office, industrial and hotel complex involving about 500,000 sq ft each of shop, office and industrial floor space as well as an hotel, exhibtiion and conference centre, 350 homes and a sports centre. It is expected to take six years to finish, at a cost of £200m.

Lysander Estates, representing developers Phoenix Assurance, Lazard Property Unit Trust, Costain and Sefri of France, recognises the problems in being first with a significant development scheme in this part of London. But it is true that a major redevelopment can create its own identity, and value.

Next, to the east is the Isle of Dogs, the Enterprise Zone, aspects of which are dealt with elsewhere on these pages.

Peter Hadley does not mince words: "Non-operational derelict dockland," he says. But be hopes to have substantial development over within the next 24 months—this with the proviso that the resolntion of the public transport system will develop the rate and quality of development.

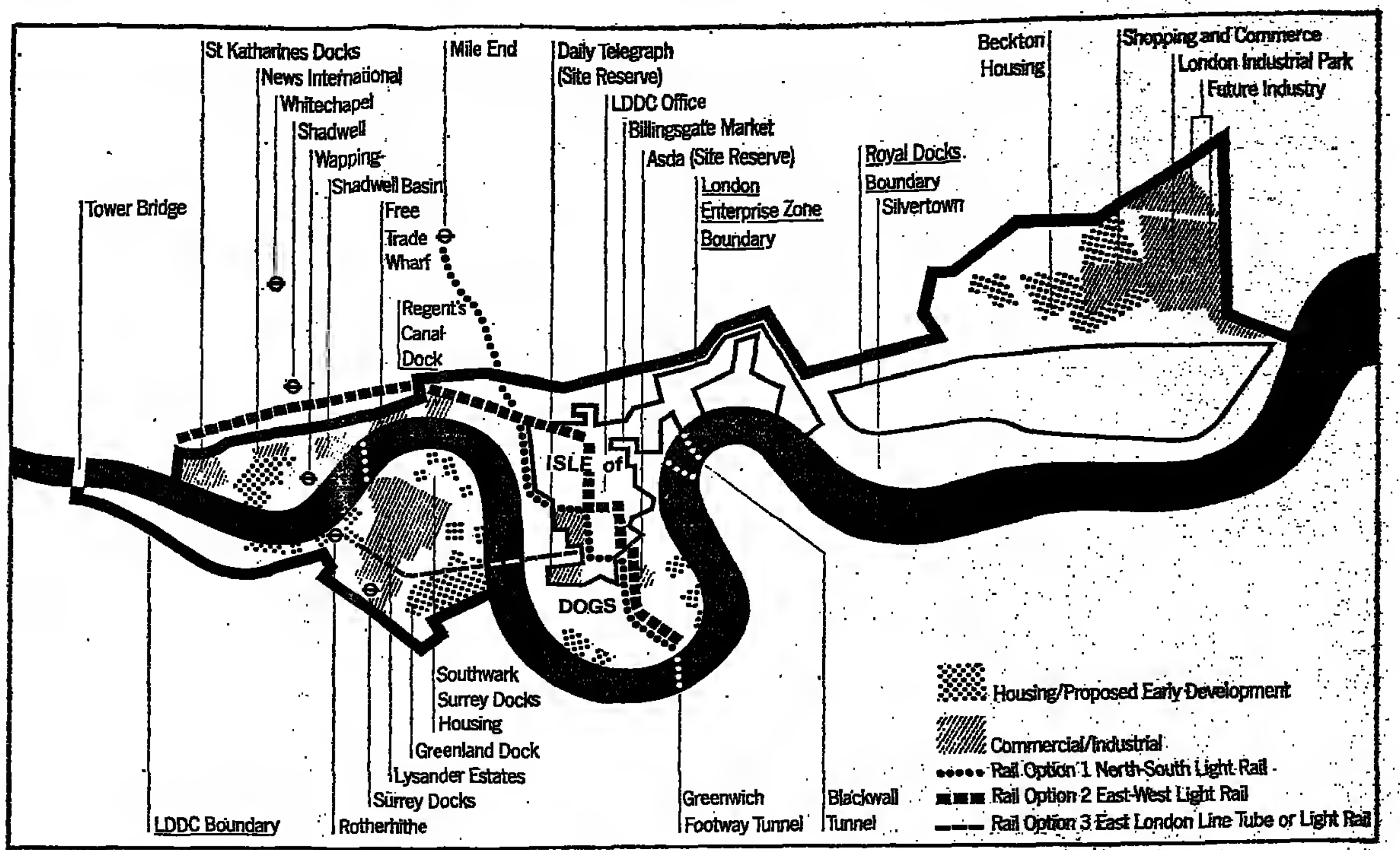
Witb good public transport he would take a bullish view of getting commercial development—high technology companies and some office developments in their own right. At the moment, it is back to the newspaper theme with the Daily Telegraph, on a 12-acre site, aiming to decant its printing operations from Fleet Street. About 2,000 jobs should be coming on this score: building is due to start this summer.

At the Royal Docks complex in Newham the LDDC has seen developer interest in some very grandiose schemes. Talk of international potential, even a small airport facility, or an international exhibition centre goes on with apparently no planning yet in band. The Port of London Anthority only ceased operations in these docks in October last year.

Silvertown, a ribbon of land running south of the Royal Docks string, has an industrial heart—including a Charrington's brewery and a Tate and Lyle refinery and headquarters. It also has new industrial development.

But it is Becktoo, at the extreme east of docklands, which seems to be the other area with cards to play. It bas access to the A13 and will accommodate the north side of the East London river crossing, a bridge not due to be built until 1990, at a cost of £1.03m to link the M11 in the north with the A2 in the south.

"The East London river crossing puts London docklands into sharp relief," says Mr Hadley; "Beckton seems to be happening almost before its time."



Nigel Broackes: the new-style East Ender

WHEN Nigel Broackes stands in the wastelands around the West India and Millwall docks on the Isle of Dogs he must think he is a long, long way from first base.

The chairman of Trafalgar House is more used to the opulent surroundings of Berkeley Street in the heart of the West End. His office is both elegantly and tastefully decorated in pale shades of lime green and gold. There are paintings on the walls, an Elizabeth Frink outside his door and one floor up is a large scale model of the liner Mauritania.

The office is part of the Bristol Hotel block, one of London's newest and ritziest hotels, which Trafalgar House owns. Mr Broackes could, without pulling a muscle, lob a brick into the Ritz across the road in Piccadilly, which he also owns.

Things are quite different on the Isle of Dogs, The Port of London has pulled out and gone down stream to Tilbury. There is almost no dockside traffic apart from a few timber boats, no cargo in transit, no lorries, no people. A few security men, the odd scavenging dog and a conple of workers near the main gate appear to comprise the population.

It is the sort of place that makers of television series like The Sweeney adore because they can roar fast cars around deserted yards without any fear of hitting anyone.

Not that Nigel Broackes is worried about the eerie emptiness; he can see the potential of the area just as, once, 25 years ago, he saw the potential in sites and offices in the West End that was to lead to his becoming a rich man and his company one of the biggest in the country.

When Mr Michael Heseltine, the Secretary for the Environment, invited him to become chairman of the pntative organisation that was to become the London Docklands Development Corporation, he leapt at the opportunity. He had led

Nigel Broackes: unworried by eerie emptiness of the Isle of Dogs

Trafalgar House in two and a half decades from a tiny property concern into a multimillion organisation that owned building contractors (Cementation, Trollope and Colls), hotels (four in the UK, two in the West Indies) shipping (Cunard group) and newspapers (Express group). He was ready, when the offer came, to devote part of his week to more public activities.

He had on occasion been sounded out for a nationalised industry, but did not take the bait. Rejuvenating 5,100 acres of London's derelict docklands was another, stretching eight miles from the Tower of London, on the edge of the City, to Beckton was another matter.

Industry had gone with the ebbing tide of seaborne trade, taking people with it. What was left was a one-class society—some 96 per cent of the people living in council flats and houses—whose whole way of life had changed.

This was Cockney London, the London of the East Enders. German bombs and, then, bad planning as well as the migration of the docks had knocked the stuffing out of the area.'

Broackes saw it as the largest development site in Europe and welcomed the chance to do something about it; to bring back people to live in houses rather than soulless estates, to bring in factories, to open up site for leisure.

Such a change will not occur overnight but he believes that his work, or that of the corporation anyway, could be over in 12 years. The next two or three will be crucial, he says. "If we can't be motoring in three years then we shall be failing."

Nigel Broackes is not used to failure, though he has had his setbacks. He may not have been born with any piece of silver in his mouth but he was brought up in comfortable surroundings. His father was a country solicitor who ???? —during the war. He was sent to Stowe, after which he did his statutory national service in a regiment of the Household Cavalry.

His luck was to be given a small legacy (£25,000 in 1953) when he was just 21 by his grandfather. Injudicious decisions led to his losing most of it but he had an overriding urge to succeed, no fear of working long hours and when he left his first job in insurance for estate agency he was on the road, that was to take a minute company called Trafalgar House to its present pre-eminence.

Broackes is still a young man—he will be 48 in July —and it is inconceivable that docklands will satisfy his driving urge. But it will satisfy him until its succeeds. When he has helped create a new east London he might then look for other ootlets for his energy. Until then, he is determined to do for docklands what, earlier, he did for Trafalgar House, only in a shorter time span.

Anthony Moreton

Andrew Fisher looks at the fortunes of one of docklands landowners

Still awaiting a quiet berth at the PLA

EVER SINCE the heyday of London's sprawling up-river docks began to give way to a steady decline in the 1960s the problem of bow to develop them as trade drifted away bas been acute. Now that the London Docklands Development Corporation has been set up, there is a semblance of reality and coordination. But the progress towards this has been faltering and confused.

It was containerisation and the growth of trade with the EEC which put paid to the prosperity of the up-river docks. Big container ships can carry many times more cargo than conventional vessels but they need deep water and large areas of quay for storage. Operators also want a speedy turnround. Hence the move away from berths far up the Thames to facilities like Tilbury in Essex where quicker handling can be achieved.

Other east coast ports like the privately owned Felixstowe began to win away business from London's traditional docks, the last of which was closed for general cargoes in autumn 1981. As more freight was moved around the country by road, it became more of a headache to transport them from the congested capital. The stormy history of dockland labour relations was an added reason for the demise of the inner docks.

The closures began in 1967, when East India Dock went, followed two years later by St Katharine's Dock and London Dock. The Surrey Docks on the south side of the river closed in 1970. Ten years after this, the decision to close West India and Millwall was taken. Finally, after losses had escalated to an insupportable burden for the tottering Port of London Authority (PLA), the Royal Docks — Victoria, Albert and George V—had to go last year.

Not that cargo operations have been removed from the Thames altogether. Independent scrap metal, container handling and timber shipping businesses still exist in the berths which once used to deal with a host of cargo vessels after London's pre-eminence as a port developed in the 19th century.

Although London's docks have now given up their main cargo business in favour of Tilbury, also part of the PLA, the latter still has a sizeable stake in their future. It is one of the largest landowners in the docklands, owning 200 acres on the Isle of Dogs, part of the Indian and Millwall site, and 600 in Newham covering the Royal Docks and surrounding area.

Since the mid-1960s the PLA has raised over £30m from land sales, mainly through disposing of its ornate headquarters in Trinity Square on Tower Hill, now occupied by an insurance broking company, and the World Trade Centre on the St Katharine's site to the Taylor Woodrow construction group.

Just after the London Dockland Development Corporation was formed in 1981 to act like a new town authority in redeveloping the 5,000-plus acres in and around the enclosed docks, it used its vesting powers to buy up two large parcels of land from the PLA. The sum was regarded as too low by the PLA, which has taken the matter to the Lands Tribunal. The land comprised 188 acres around the Isle of Dogs and 90 acres at Beckton, next to the Royals.

This tussle—unlikely to be repeated as the PLA expects the LDDC to enter into any further purchases by agreement —shows part of the problem of developing such a large, diverse and historical area like the enclosed docks. It was more than 10 years ago that the government of the day commissioned consultants Travers Morgan to come up with a study on the docklands.

This they did two years later, recommending five schemes of which none was adopted. The study ran up against local opinion and its conclusions were rejected by the Greater London Council and the five London boroughs involved—Tower Hamlets, Southwark, Newham, Lewisham and Greenwich.

The five options were: a City New Town, with half the new housing to be for sale, and a major shopping and office centre; East End Consolidated, emphasising public rented housing and industrial jobs; Europa, concentrating on private housing and office and service industry employment; Waterside, to have housing around water parks based on the lay-out of the docks; and Thames Park, to provide over 700 acres of wooded parks, with some office and industrial development as well.

Instead of going for any of these, the Conservative Government proposed in 1973 that the GLC and the five boroughs should form a joint development committee. The following year, the Docklands Joint Committee was set up, including co-opted members nominated by the Government and local residents. It published the London Docklands Strategic Plan, which was agreed by local authorities and endorsed by the Government.

This plan envisaged an ambitious redevelopment programme running into the late 1990s, with the first phase schednled to be finished by this year. But Parliament was told last year that only 1,300 of the 6,000 dwellings due by 1982 had actually been built with only 900 more under way.

Progress in creating new jobs was also woefully behind the optimistic figures held out under the plan. It was against this background of under-achievement and muddled direction that the LDDC was set up with its wide powers. This is many years too late in the eyes of critics. Others question whether the LDDC will have enough money to carry out its complex task.

The first housing development is under way. **Audrey Powell** reviews the objectives.

Design to lure the exiles back home

"WELCOME HOME" read the yellow Wimpey banner across the road at Beckton Park, E6. The road led down to a disembodied suburban square; sole evidence of the first substantial development of private housing to be built in the regenerating of London docklands.

The surrounding area was a desolate wilderness when, on a wet and windy day last month Michael Heseltine, Secretary of State for the Environment came to perform the ceremony which officially set in motion the unlikely programme of 600 smart freshly-built homes for sale, in this last outpost of London's East End.

The welcome message was for the dispersed docklands families who were being offered this opportunity to return and settle in their traditional background.

The question, of course, was would they want to come—and to pay £18,000 to £28,000 for their homes.

In the distance the 150 ft cranes, now motionless symbols of the all but defunct docks, reared up against the grey sky. The address, Savage Gardens, seemed wholly appropriate to this bleak wasteland of mud and rubble that is to become Parkside and Mariners Reach and other euphemistic housing estate names.

The site, towards the eastern end of the London Docklands Development Area, is six miles from the City. It is owned by London Docklands Development Corporation, which initiated this project of low-cost homes.

Four of our largest housebuilders, Barratt, Wimpey, Broseley and Comben, are undertaking the construction—on land they would not have chosen, since every property has to be expensively piled.

They have moved quickly since work began last November and the first completed area was this trim square of brownish houses and flats, that everyone seemed to like.

The development comes within the London borough of Newham and priority is given to applicants who are tenants of the authority or on its waiting list. After that the homes are available to the public.

This is the first scheme. Next month the LDDC starts on another, for 250 properties, in Surrey Docks in Southwark, part of the comprehensive Lysander Estates' £200m project. By the end of the year it will have begun a third, in Wapping in Tower Hamlets.

In docklands as a whole the LDDC owns sites for 9,000 to 10,000 homes, and it expects that within 12 months total production will have reached 2,500 homes a year.

But how vital is this massive infusion of homes for sale, to the broader docklands revitalisation programme?

Nigel Broackes, LDDC chairman, believes that the availability of such housing is enormously important and will make a "terrific difference" to its success. Owner occupation in docklands is only 4 per cent, compared with 44 per cent in Greater London and nearly 60 per cent in Britain, he points out.

The significance of a development on the Beckton scale was that it represented up to 600 jobs and £6m to £7m expenditure directly related to the community, he said. The sales value of the houses was about £15m and that was only a quarter of what was scheduled to happen in docklands during the next two or three years.

The provision of a wide range of new housing is crucial, the LDDC feels, to attract growth firms and improve the physical image of the region.

But not everyone agrees with the corporation, nor with its sweeping-all-before-it approach. In particular those boroughs on whom it was superimposed understandably resent it, though they now accept the corporation as a fait accompli.

But one Newham councillor said he did not believe that the Beckton properties would sell. "A private developer thought he could build in docklands in the seventies and sell on the open market. He went bankrupt . . ."

So far the builders at Beckton are not complaining. "Interest is phenomenal," said Dennis Bygrave, of Broseley Homes.

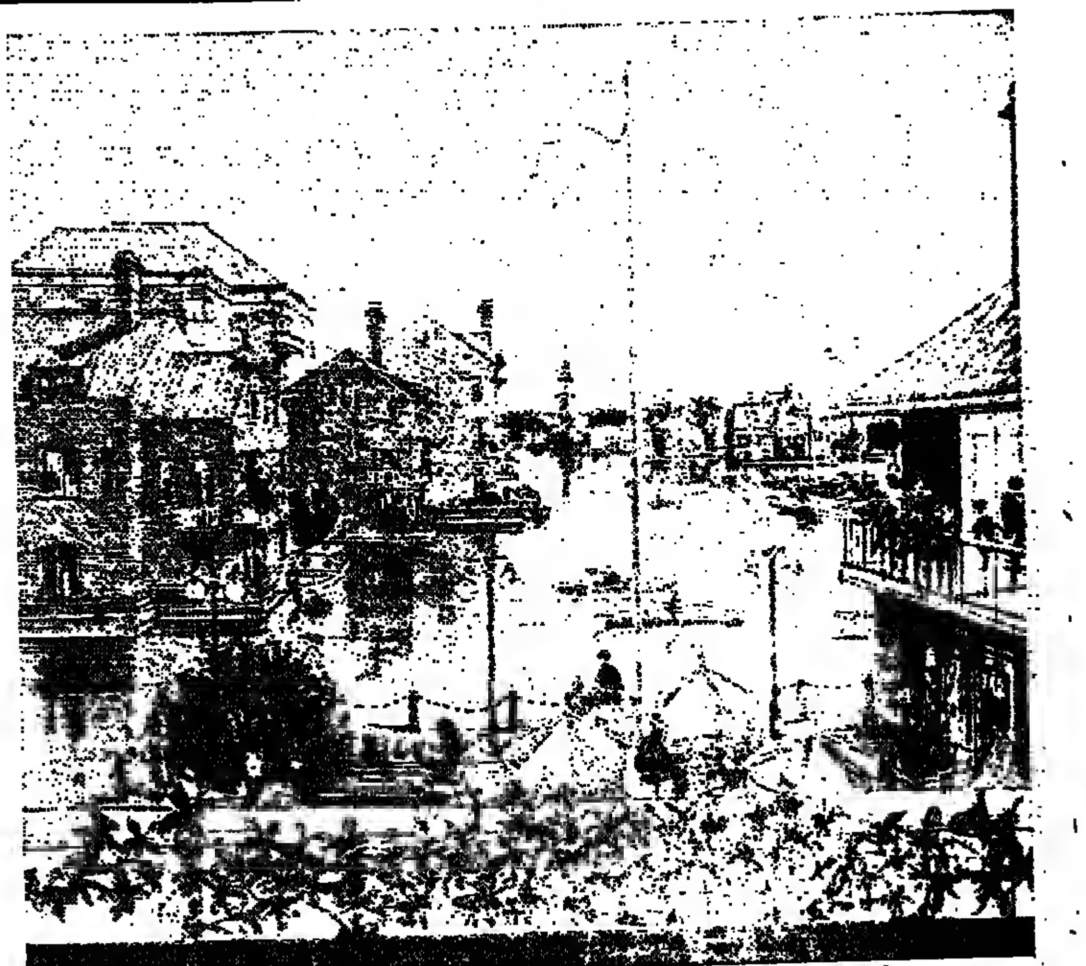
But there are many aspects of the docklands homes story. The most colourful is the transformation of the great brooding warehouses along the waterfront into apartments that sell for more than £100,000.

"We have 400 people on our books who want to buy down there. You don't get that in Belgravia or Knightsbridge," said Martin Carleton-Smith, of estate agents John German Ralph Pay.

Hunting Gate is to redevelop Limehouse Basin in a £70m project that will include 600 homes, Capital and Counties is hoping to get 140 flats under way on one of its sites in Wapping Wall; the Crown Estates Commissioners have "something under discussion," for the Royal Mint site.

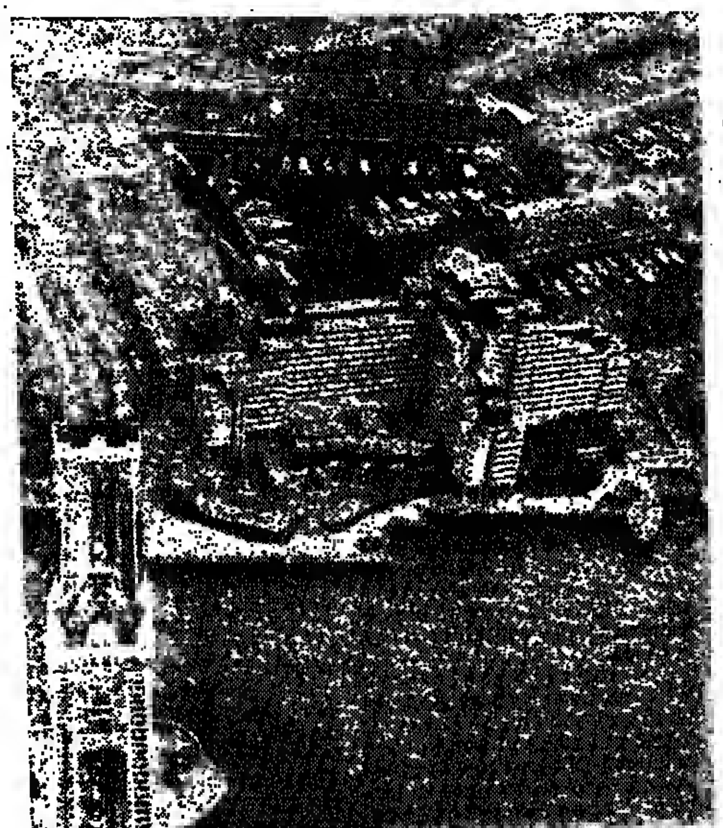
Corbett's Wharf is being converted; new flats will be built on the site of Carron Wharf; there will soon be flats available at St John's Wharf in Wapping High Street, and so it goes on. Even the old Blackwall police station which surveys the river from the Isle of Dogs, is being turned into apartments.

One thing is certain. Those families who do decide to come "home" will soon be finding a very different docklands from the one their forebears knew.



Artist's impression of Hunting Gate's £70m Limehouse Basin development

Home of the City's first new hotel since the Fire



Looking down on the Tower Hotel and Tower Bridge

THE SKYLINE that symbolises London, the historic, thrustful yet poetic view of the Tower and Tower Bridge, has been augmented since 1973 by the cruciform and bumped Tower Hotel. Given another decade or two, we should have assimilated it as an integral part of an exciting scene; at the moment it still seems like an intrusive stranger.

Bulkier than the Tower, but looked down upon by the twin towers of the bridge, the Tower Hotel surveys Father Thames like the bridge of a mighty, stranded surrealist ocean liner. Its battleship, National Theatre grey walls glow or glower according to the mood of the weather. It is a characterful building, a concrete and glass gem of many carats, and a stimulating piece of contemporary architecture, unlike many of the tall matchboxes that pass for hotels nowadays.

Incredibly, it is the first hotel built in the City of London since the days of the Plague and Great Fire, when the uncouth citizenry emptied its chamberpots from its upper stories. It has had four different operators in its eight years, J. Lyons, Strand, Thorn-EMI, and now Thistle Hotels, part of Scottish and Newcastle Breweries.

A hotel that has 826 bedrooms must have a mix of clientele—business folk and tourists; block bookings, families, and individuals; directors and more humble executives; foreigners and British.

Last year the expected bonanza from the Royal Wedding did not materialise; sterling was riding dear at $2.40. Now it is in the $1.80s, and transatlantic business is looking up.

Managing director Michael Roberts has just come back from the U.S., pleased to have brought back new business and some new ideas—although he emphasises that in many aspects our hotels are ahead of those in the U.S. He does accept, though, that service-with-a-smile, we're-a-happy-team spirit does not come naturally to British hotel staff. However, before seeing him, I had already been impressed by the keen-to-help, pride-in-the-job attitude of his front hall staff.

One innovation Mr Roberts has introduced at the Tower Hotel is a two-tier tariff. So, for £46.50, VAT included, an executive single comes on the top two of the 12 floors, including a welcoming bottle of wine, car parking and breakfast, and a free meeting room, whereas the standard single at £38.90 includes just the same sized room, not so loftily placed.

Through the sound-proofed glazing every room commands a breath-taking view of the river or of the St Katherine's marina, a rather under-appreciated attraction of the London scene. Each room has a colour TV, which also shows feature films on an extra channel; direct-dial telephones, and a message-light system.

There are three major suites which can accommodate meetings, receptions and banquets, and do — since the Tower Hotel has a virtual monopoly in its class for City and dockland. Elsewhere in this survey you can read about the new business and activities being generated in the docks area, and the hotel has immense advantages by already being a well-appointed and experienced facility.

Big things are hoped for from the planned opening in April of International House, which will bring more business in addition to that achieved by the World Trade Centre, and Tower Hotel is optimistic that it will have its share of the new level of activity.

In 1981, not the best of years for Britain's hoteliers, Tower Hotel claimed a considerably higher occupancy rate than equivalent-standard hotels in the West End. In January and February, it scored a full house on most rail strike days, even turning an office back into a bedroom to help meet the demand. It was an unexpected bonus for off-season — and serviced by a winter-sized staff, which is well below the high season establishment.

"I was very pleased with the way the staff coped," said Mr Roberts. "Things are generally quieter in midwinter but we all enjoyed the extra challenge."

The Tower Hotel's catering facilities are supervised by group catering manager, Mr Chris Gavril, who was born in Cyprus. He learned his craft in London at Ciro's Cafe de Paris, and the Pigalle. Despite all the changes of management, he has not been pressed to change his style.

The Princes Room set-price menus at £10.75, £12.75, and £14.75, inclusive of wine, plus à la carte. Mr Gavril's particular favourite is the Carvery, which offers a three-course meal plus coffee for £7.95. Then there is the Picnic Basket, providing snacks or a full meal, which stays open until 1 am, and attracts folk who like a bite after a West End theatre visit, the Thames Bar, and the Hotel Lounge. Whatever you feel about the prices, the Thames comes with them, and makes an exciting backcloth for any business or social occasion.

The Raleigh or Spenser penthouse suites, each with two double bedrooms and a sitting room, cost upwards from £136.

The penthouse menu offers ten choices at up to £15.60 each. After looking at a top suite, I have the feeling — based on speculation, not experience — that, pound for pound, confinement in the Tower offers high life far cheaper than do more famed establishments.

I asked Mr Roberts whether London's hotels are over-priced or not in the world market? His view was "I do not think it was ever true. To fight inflation and to help business, we reduced our standard price by £11.50 a night last June, and we have held the price. We offer a very high standard, and beat for value those of equivalent hotels in any comparable location. Americans pay $60 here for what would cost $100 in the States."

Taking tea at the Ritz is still I am reliably informed, an impressive but affordable treat for modest, salaried people whose menfolk wear ties. I strongly recommend coffee or cola at the Tower Hotel, with a spot of Thames-watching, plus a stroll around the St Katherine's Marina — just right for parents seeking a short-but-interesting outing for their flock during school holidays.

James French

Rhys David examines the opportunities in the latest Enterprise Zone

Isle of Dogs back in the running

A BLEAK 482 acres of derelict buildings, overgrown wharves and windswept roads will soon be offering the best test to date of how quickly and successfully redevelopment of London's redundant docklands is likely to take place.

The Isle of Dogs, the last of the 11 enterprise zones established by the Government, will by the end of April, be offering opportunities for laissez-faire development—free from the sort of restrictions blamed for discouraging entrepreneurs—only a few miles from the City of London and as close to the centre of London in the east as Earls Court in the west. Moreover, developers who do choose to locate in the area will get the benefit not only of a 10-year rate-free period—characteristic also of the other zones—but will be able to choose from sites with views of the river and next to water-filled docks.

With all these assets the zone's director, Mr Peter Turlik, reckons the Isle of Dogs has probably the best chance of success of all the sites chosen in various parts of the country for the Chancellor of the Exchequer Sir Geoffrey Howe's experiment, and will be able quickly to make up for the ground lost to other zones through delays in opening—the result of the very involved consultation and land acquisition exercise that has been needed.

Indeed, according to Mr Turlik—a surveyor by training who first became involved in docklands revival more than 10 years ago when working for the Greater London Council—the area could become a focal point, counterbalancing the growth of high technology industries along England's new industrial axis the M4 to Bristol. Mr Turlik's hoped-for clients include just the sort of computer-based companies now moving to towns like Reading, Swindon and Bath, together with other small businesses in the print, media and related worlds which have a stronger reason for staying in the capital.

The less sanguine view taken by some potential developers is that the docklands in general have problems both of image and history which taken together could prevent entrepreneurs pressing forward to invest in the area in quite the numbers the London Docklands Development Corporation (LDDC) — the zone authority — hopes.

As Mr John Grant of West End property developers Grant and Partners has pointed out, the area — for all its potential — suffers from a depressing approach and general environment and from inadequate communications. There has existed too in the past a pronounced anti-business and anti-profit bias on the part of local authorities. At the same time rates — a factor which will affect businesses after the zone benefits have ceased — are high, while attendant social problems have come in the wake of the area's concentration on public housing to the virtual exclusion of owner occupation.

Other factors quoted as offering a possible disincentive to development are a tradition of labour militancy and the general uncertainty left behind by a succession of grandiose but never - accomplished programmes for redeveloping the area.

The zone's managers are confident that while these problems may have existed they have been or are being dealt with and ought not to discourage today's brave new entrepreneurs. High priority is being given, Mr Turlik points out, to creating an attractive environment so as to woo companies which can make a lasting contribution to the local economy and to provide an opportunity for new service and research based industries which may have always wanted to expand in London but could never find the right spot.

With this in view the LDDC has decided that within the zone it will offer leases of 200 years or more rather than freehold in order to ensure consistent standards are maintained. In this way the LDDC hopes it will be possible both to protect the value of the investment potential developers make and to guarantee that those settling have a commitment beyond the limited period when incentives are in force. "We want schemes which can make a contribution in terms of employment and quality of development and which can outgrow the life of the zone itself," Mr Turlik observes.

For similar quality control reasons the LDDC insisted, much to the disappointment of the Port of London Authority—the original owners of most of the land on which the zone has been sited—on excluding existing developments from within the boundaries. In this way, Mr Turlik points out, it has been possible to include a maximum of vacant space and to develop a consistent approach. Existing vacant buildings within the zone are also being used only sparingly, with only the best likely to be renovated.

"When we acquired the land we also took over 2m sq ft of empty floor space which we could have let off to storage users at 90p per sq ft. That would not have contributed to regeneration or changed the area physically and would not have given a return on the services and roads we are putting in," Mr Turlik states.

Instead LDDC is demolishing various old PLA sheds to create land for development. In one of the first schemes land formerly used as a lorry parking area is also being released and will be marketed through agents to potential developers. Elsewhere suitable older buildings are being rehabilitated for use as small offices and workshops.

Again, as in the other zones, the restrictions on types of development are being kept to a minimum, but on the Isle of Dogs special sub-zones have been created, next to existing and proposed housing, where further conditions will apply. Here the zone authority will want to agree details such as landscaping before sanctioning developments.

A similarly long-range view is being taken in the provision of roads within the zone, which are being built to standards which will make them suitable for subsequent adoption as public roads. Selected parts of the area are being considered for residential development, with waterfront sites vacated by companies moving into new premises inside the zone regarded as particularly promising.

The LDDC believes some indication of the likely success of the zone is already apparent ahead of its formal launch in the number of inquiries received. One that has been turned into a positive development is the proposed transfer by the Daily Telegraph of its operations to a 12-acre site in the zone—a scheme clearly intended to outlast the ten-year life of the benefits.

The Daily Telegraph will, it is hoped, be one of a number of "anchor tenants"—big developments around which estates containing a variety of smaller developers with compatible schemes can be grouped. Already with the Daily Telegraph inside the zone and News International just outside the LDDC detects a high level of interest from media industries in moving east.

The hope is that within a year of the zone's formal launch one third of the site will be available for development, and a sizeable proportion of that third rising as bricks and mortar. The pace at which the rest of the zone is developed will depend on a number of factors, not least the progress of the UK economy. There will be considerable disappointment—and surprise—in docklands, however, if it is not one of the first areas to respond to any improvement in the economic climate overall.

Ashley Ashwood

End of an era: the Royal Victoria Dock at Silvertown

Reg Ward: in touch with the inside track

"Reg Ward," said the man from the Ministry, "is the hardest working person I have ever met."

A capacity for long hours is not the sole quality required from the chief executive of the London Docklands Development Corporation but at this early stage in its development it certainly helps.

Mr Ward has had to build the organisation from scratch to run the biggest development project in Europe. That organisation is small: he has a staff of 61 now and it is not likely to rise much above 75 to 80. "The whole object," he says, "is not to proliferate numbers but to get outsiders doing for us the things we want done."

Reg Ward will, therefore oversee those plans but because there are so many other bodies—consultants, architects, planners, civil servants—to liaise with he sometimes wishes the week could be extended by a day or two.

"When I first came here I promised myself I would do something I had never done before. I would work all hours during the week and then leave mid-afternoon on a Friday to return home to my family in Cheltenham. And perhaps I would come back early on Monday morning.

Ashley Ashwood

Reg Ward, LDDC chief executive, making an enterprising invitation to the West India Docks

"But not once in the 18 months have I been able to do that. I get back to Cheltenham about 11 on a Friday night and all I'm good for over the weekend is to relax. I don't fancy the bustle of joining the commuters on a Monday morning so I drive back late on Sunday."

Home is Cheltenham because Mr Ward came to docklands from Hereford and Worcester, where he was chief executive to the county council and the contrast between his Regency house in the heart of Cheltenham and the flat he occupies during the week could not be greater. "Still, there is one consolation: I can walk to work here and I couldn't do that in Cheltenham."

Reg Ward arrived on the Isle of Dogs via a circuitous route. It is still possible to trace the soft burr that denotes his birthplace in the Forest of Dean. University life was spent in Manchester, followed by a long stint as a tax inspector in South Wales. An unusual step for a tax man took him into local government through a post organising the architects department with Lancashire County Council.

The way to the top in local government is to move and so Reg Ward and his family moved. It must have seemed for a while as though he was almost an employee of Pickfords. From Preston back into private practice with a firm of architects, on to Irvine with the new town, across to Coatbridge and then to Hammersmith and Fulham, and eventually to Hereford.

His years as chief executive with the last three authorities have stood him in good stead. For a start he knew the chief officials at Tower Hamlets, Newham and Southwark, the three boroughs involved in docklands, always a help. He also knew, from the inside, how to work the local government machine. And he knew all about dealing with elected councillors; Hammersmith and Fulham had been a Labour authority, Hereford and Worcester it goes without saying were Tory ones.

Knowledge of the inside track was particularly important because Tower Hamlets, in particular, and Newham as well were for a long while implacably opposed to the corporation since its creation denuded them of certain powers, planning being the most important.

The leaders of these three councils have now joined the board of the corporation but it is an uneasy relationship. They see their role more to defend the interests of their councils than to advance the cause of the corporation.

But there are now liaison officers working with the corporation from the three boroughs and others seconded to it. Reg Ward sees these appointments as tangible proof of the ability of the corporation to get along with the councils.

"We have come a long way in a short time," he says. "But there is even further to go. Our success will be measured by the way in which we can get people who have left the area back by providing houses for them to live in and jobs near their homes. We must recreate a balanced community here. That will be the test of our success."

Anthony Moreton

A disagreeable word

ALTHOUGH the Oxford English Dictionary defines the word "amenities" as "pleasant ways" it is a subject that often arouses distinctly unpleasant attitudes. Providing for amenities in the redevelopment of London's dockland has been no exception.

Inevitably the businessman occupying the £200-a-day President's Suite in Ivory House, St. Katharine's Dock, with his boat moored in the yacht haven, has requirements different from those of the ex-docker still living on the wind-swept run-down Isle of Dogs.

What the executive will find is a wide range of services including research and information provided free if he is a member of the World Trade Centre, which is spread over three buildings.

Europe House provides offices, secretarial services, audio-visual theatre, banks and a travel agency; Ivory House, once the centre of London's ivory trade and an eye-catching adaptation of a 19th century warehouse with its original cast-iron columns and vaulted ceilings, offers more offices and service apartments for international companies. It is also the headquarters of the Cruising Association and the local yacht club and has shops at ground floor level. International House is the latest development, which also retains some of its 19th century warehouse origins, and provides offices, penthouse suites and a gymnasium/sauna and wine bar down in the vaults.

Even the development by St Katharine-by-the-Tower subsidiary of the Taylor Woodrow Group of 300 homes for the Greater London Council would not stop some diehard conservationists from branding the area as a "rich ghetto."

Yet St Katharine's, even in its heyday, provided jobs for no more than 400 to 500 people. The area now employs 1,700, says Mr Peter Drew, chairman and managing director of the subsidiary. By the time all the projects are completed a total of 3,500 jobs will have been provided. In addition, the new community already pays about £2.25m in rates to Tower Hamlets, the local London borough.

The company is also restoring Wilton's Grand Music Hall in Wellclose Square, a Grade II listed building, in conjunction with the Friends of Wilton's Society who are hoping to provide a home for the National Centre for Variety Entertainment.

Leisure of a very different kind is being encouraged down in the Isle of Dogs by a new body called Community Land Use (CLU) which, in consultation with residents, is improving bleak and desolate surroundings. The co-ordinator, Felicity Harvest, says her team is working on a small nature park for the pupils of St Luke's school. Residents will also be able to use a little copse and orchard. The CLU operates from an adapted Customs house on a grant from the Manpower Services Commission. "The residents put up ideas and we see what we can work out," she said.

Current ideas include a solar-powered greenhouse and a garden for the disabled. Already the decay of the docks has led to an increase in wildlife. I saw a cormorant perched on a disused crane and regular visitors include kingfishers, herons, two kinds of grebe and scaup ducks.

Another strange contrast to the decaying industrial scene is the thriving Mudchute community farm on 30 acres of spoil from the Millwall docks. It was started in 1976 and now boasts a flock of Jacob sheep, some goats and an indoor riding school.

Over in Limehouse the battle over amenities has still to be fought to a finish. British Waterways Board chose the £70m Limehouse Basin development by the Hunting Gate housing company in a competition but that scheme is opposed by the Limehouse Development Group which sees the winning scheme of offices and homes as "an isolated development with little relationship to the rest of the area." The group's own scheme, which was only just beaten, was supported by local community organisations. The final arbiters will be London Docklands Development Corporation with which planning permission rests.

Arthur Dawson

Testing time for transport links

PUBLIC CONSULTATION on the different options for a low cost advanced public rail system for Docklands using modern trains on a mixture of new and existing track are to begin at the end of this month.

Two main options are being evaluated for north of the Thames with the hope that parliamentary powers could be sought in the autumn. The third option, which could aid Southwark, south of the river would be updating the East London railway. This section of the Metropolitan line runs from Whitechapel, through the old docks areas to Lewisham.

Speed in the final government decision-making process was crucial, said the GLC, one of the three authorities involved. "Developers have had so much to be disillusioned about that they will only be confident about the provision of the infrastructure when they see it happening," an official said.

An important consideration will be the needs relating to the Enterprise Zone on the Isle of Dogs which is being formally launched in April. Some 600 inquiries are being processed at the moment.

The GLC said: "If certain activities such as head offices or manufacturers of high technology are attracted to the Isle of Dogs then a transport system linked with the central area of London is crucial. "This would mean opting for the development of the existing track from Fenchurch Street to Stepney and then along a disused viaduct to the southern tip of the Isle of Dogs.

"However," said the GLC "if the London Docklands Development Corporation is thinking about industries of a more 'suburban' character with more local input then the opening up of the local catchment area would be more important." This would involve the development of the route from Mile End, east to Bow Road, south to Poplar and then down to the Isle of Dogs. There could then be a possible rail link to Beckton.

A strategy is being developed by the new LDDC but much will depend on the response of the market.

Putting in a transport infrastructure does not necessarily produce a dramatic change in land use. It may facilitate development but much depends on how attractive developers perceive the Enterprise Zone.

Mr David Senior, of the London Chamber of Commerce, which has been actively involved in the consultations said: "We are discussing the different options but no decision has been made yet by the chamber. We still retain a very strong affection for the extension of the Jubilee Line." (In 1980 Mr Norman Fowler, the Minister of Transport said cost had finally removed this option as at least £230m would be needed for even a reduced version of the Jubilee Line.)

The chamber said its conclusions would be strongly determined by the sort of development that occurred on the Isle of Dogs.

Whether or not developers overcame their traditional reluctance towards dockland redevelopment depended on a number of ingredients said Mr Senior. Rail links, housing, financial incentives and available labour were all important. "If any one of these are taken by themselves they are not adequate," said Mr Senior. A rail link with Beckton, to the east of the Isle of Dogs, was necessary as new housing was being constructed there. The GLC has said that at present this link is peripheral to the present plans.

Lisa Wood

مكتبة المنامة الأصل

Cocoa floor price cut likely

THE LOWER intervention price which the International Cocoa Organisation (ICCO) buffer stock seeks to defend will be cut to 106 cents a lb from 110, unless the International Cocoa Council decides to the contrary next week.

Mr Kwesi Hackman, the ICCO's executive director said yesterday the cut is automatic following buffer stock purchases exceeding 100,000 tonnes within 12 months. But the council, which meets in London on March 16-19, could vote to set this rule aside.

ICCO delegates said, however, that since such a vote would need a majority of both consumers and producers, the price cut seems certain to stand.

Buffer stock purchases yesterday reached 100,345 tonnes following the completion of direct purchases from producers of 36,000 tonnes in accordance with an ICCO council decision in November. Reuter

New antimony research unit

DEVELOPMENT of new uses for antimony is to be undertaken at the Antimony Research Institute established by Battelle's Columbus Laboratories in Ohio.

Antimony is an element found in abundance in Bolivia, South Africa, China, and elsewhere as a by-product of copper.

Extra tin buffer funds agreed

BY JOHN EDWARDS, COMMODITIES EDITOR

THE INTERNATIONAL Tin Council yesterday at a two-day emergency meeting formally agreed to the buffer stock manager's request for additional contributions amounting to the cash equivalent of 14,500 tonnes of tin ($84m). This comprises 12,500 mandatory contributions from producing countries and some 2,000 tonnes ($15m) voluntary contributions from consumer countries.

France volunteered to provide an unspecified amount, and the Netherlands offered a further £1m.

Meanwhile on the London Metal Exchange tin values suffered a setback yesterday. Cash tin fell by £110 to £6,925 a tonne, the lowest level since July last year. The three-months quotation was £140 down at £7,125.

Buying support, believed to be on behalf of the buffer stock of the International Tin Council, was met by heavy selling from several brokers.

Reuter reports from Kuala Lumpur that Brazil is supporting Malaysian attempts to form an association of tin producers.

The Brazilian ambassador to Malaysia, Sergio Bath, said though his country was not in the forefront in the tin negotiations he could understand the concept of such an association.

Sr Bath said such an association could "discipline" the unsteady tin market and ensured that market prices of the metal did not fluctuate wildly.

"In the long run, the association would benefit not only the producers, but consumers as well since the latter had to be assured of supply," he added.

Meanwhile Malaysia is to submit a memorandum at an Asean-U.S. meeting in Washington protesting at the sale of U.S. stockpile tin, the Malaysian foreign ministry said.

The memorandum reflects the views of Malaysia, Thailand and Indonesia that U.S. stockpile sales depressed tin prices, contrary to the current international tin agreement forbidding market disruption by its members, including the U.S.

But the foreign ministry said Asean does not expect any change on the stockpile sales, totalling nearly 9,000 tonnes so far, but mainly seeks to register its disappointment.

The ministry added Asean will also raise the issue of rubber prices and the International Natural Rubber Agreement (INRA).

Asean will point out that Inra's price range—which determines the levels at which a buffer stock manager buys or sells rubber to stabilise prices—is too low because it was negotiated two years ago and did not account for production cost increases, he said.

Fears for Indian wheat crop

By K. K. Sharma in New Delhi

UNSEASONAL rain and snow in large parts of Northern India for the last month have led to fears that the current wheat crop has been damaged and that the production target of a record 38m tonnes will not be reached. This could mean that foodgrain production in 1981-82 will fall short of the 134m tonnes target.

Mr Rao Birendra Singh the agriculture minister, admitted to parliament yesterday that the wheat crop had been damaged by hail and rain but was unable to give estimates of the extent of the loss until reports from the affected states were received in New Delhi. He said fruit and vegetable had also been damaged.

Unless the weather changes very soon, the wheat will not ripen in time for harvesting next month. There are also fears that the wheat will be damaged by diseases caused by unseasonal rain.

Spain's entry may boost EEC beef trade

By Richard Mooney

SPAIN'S ENTRY into the Common Market could offer significant beef exporting opportunities for existing member-states, according to a study* by the UK Meat and Livestock Executive Commission (MLC).

If the Government continues its recent policy of high increases in cattle support prices, Spanish levels could be above those in the rest of the Community by its accession in 1985.

If this proves to be the case, a move down towards EEC levels could damage Spanish production and encourage consumption. A small increase in consumption is expected in any case as the Spanish population is projected to show an annual increase of about 0.7 per cent up to 1985. In addition, any easing in the world economic recession would boost beef usage by the tourist trade, which is very important to the Spanish meat industry.

The MLC estimates that Spain will need to import about 30,000 tonnes of beef in 1985, up from nil this year and last year and 14,000 tonnes in 1980.

It is expected to remain a small net exporter of sheep and goat meat and to move into balance on pig meat supplies.

* The Spanish Meat and Livestock Industry, Price £3 from MLC, PO Box 44, Queensway House, Bletchley, Milton Keynes, MK2 2EF.

DUTCH CHEESE EXPORTS

Cutting a bigger slice

BY CHARLES BATCHELOR IN AMSTERDAM

THE NETHERLANDS has become the world's leading cheese exporter in spite of the limited range of produces. With only two basic, rather similar, cheeses — Gouda and Edam, the Dutch cannot match the variety of either British or French cheeses.

Now driven by a desire to expand exports, and a fear that the traditional cheeses may not always remain in demand, the Dutch dairy industry is hard at work developing new varieties.

Cheese is the main component of the Netherlands' considerable dairy business, accounting for about 30 per cent of the total by value. Dairy exports last year were worth Fl 7bn ($2.7bn), 35 per cent more than in 1980.

Dutch cheese sales abroad have risen in an almost unbroken line over the past two decades. Exports amounted to 304,000 tonnes last year, 29,000 tonnes more than in 1980, according to provisional figures from the Dairy Produce Board. Foreign sales account for two-thirds of production, which was 20,000 tonnes higher last year at 463,000 tonnes.

The importance of the foreign market is increasing annually. Cheese production rose by nearly 5 per cent last year compared with an increase in domestic consumption of only 3.5 per cent. However, exports within the EEC rose by 10 per cent and sales to non-EEC countries were 20 per cent higher.

The bulk of cheese exports are made up of Edam, which contains 40 per cent fat and the larger and flatter Gouda, containing 48 per cent fat, when young both cheeses have a pleasant, mild taste.

"Having only two or three types of cheese has been a strength of the Dutch dairy industry," says Mr Herm Schelhaas, chairman of the Dairy Produce Board. Large scale production is possible while the considerable marketing effort can concentrate on a limited number of varieties.

A number of new sorts have been introduced in recent years, including Pompadour, a dessert cheese; Maasdammer, a nutty tasting type; three varieties made from unpasteurised milk —Texelaar, Kollumer and Terpkaas — a Maaqkouda-type cheese with very little salt. This year another variety, Herderskaas (shepherd's cheese), has been added to the list. In spite of its name this cheese is made from cow's milk.

New cheeses have only a 30 per cent chance of success, the Dairy Board calculates. Maasdammer is doing well, attaining a production level of 11,000 tonnes last year but Kernhem, a creamy cheese introduced some years ago, has never attained the hoped-for share of markets. Dutch versions of camembert and blue cheeses also failed.

Less risky than developing a totally new cheese is the introduction of more mature varieties of existing cheeses on export markets. Cheese sold in Dutch shops comes in a variety of maturities, ranging from young, through young mature, mature old and very old. As the cheese ages moisture evaporates and it develops a saltier, stronger taste.

Most Edam and Gouda cheeses sold abroad are young—usually only a few weeks old. The Dutch have now begun the sale of more mature varieties—at least four months old—in Germany and Belgium and plan to do so in Britain this year.

As cheese production has become increasingly mechanised, the amount of farm-made cheese has declined. Between 7,000 and 9,000 tonnes is now produced each year compared with 30,000 tonnes two or three decades ago. The taste of farm cheese, made from unpasteurised milk, is generally reckoned to be superior to the factory-made equivalent. The large dairies have therefore begun experimenting with unpasteurised milk in types such as Texelaar.

The Dutch have yet to start exporting farm-made cheese on any large scale though some—around 100 tonnes—goes to Belgium.

While Gouda and Edam account for most of Dutch cheese exports, other varieties are produced for regional markets. Feta, a white cheese, sells well in the Middle East and Greece, while much of the 8,000 tonnes of cheddar produced annually goes to Italian producers of processed-cheeses. Pre-packed mini-cheeses meanwhile sell well in the U.S. and other markets.

The EEC countries are the Netherlands' best foreign customers. West Germany is the largest single market, taking 120,000 tonnes last year, followed by Belgium with 41,000, France with 32,000 and Britain with 23,000 tonnes. Dutch producers should now give a high priority to expanding their share of the Italian, Greek and Spanish markets, Mr Schelhaas believes.

Much of the success of the Dutch cheese industry stems from the large-scale approach. Dairy groups in the Netherlands —most of them co-operatives—are larger than the EEC average, with the four largest concerns—DMV-Campina, Coberco, Domo and Melkunie—accounting for 75 per cent of all milk processing. DMV-Campina, NCZ and Frico handle two-thirds of all cheese sales.

Effective marketing has also played an important part. The Dairy Board finances the Dairy Bureau, whose staff of 200 are engaged mainly in developing foreign markets.

Edam sells well in Britain where advertising emphasises its versatility in cooking, and, with the relatively low 40 per cent fat content, its slimming qualities. On the Continent breakfast habits, in particular, are different to those in Britain, and much cheese is eaten on bread. In Germany advertising stresses the Dutchness of the cheese, since the Germans make their own Gouda and Edam types.

Price problems for Swazi sugar

BY BERNARD SIMON IN JOHANNESBURG

THE SHARP drop in world sugar prices has forced the Swaziland government to increase its financial assistance to the Simunye Sugar Mill which started production less than two years ago.

Estimates of the extent of the injection of funds differ. A senior finance ministry official said that official loans to the project, under the terms of agreement concluded in 1977, totalled 25m Emalangeni (about £14m) in the past two years, and a further E25m is due in April.

The country's 1982-83 budget, introduced in parliament last month, provides for transfers to Simunye of E10m, but according to a government official in Mbabane, the amount may eventually be considerably higher. A figure of E16m has been mentioned.

The funds are required to insure the amount of working capital at the completion of the project originally agreed by the company's 12 shareholders, who include the Swazi government, the Tibiyo Fund (a national institution controlled by King Sobhuza), the Nigerian government, Tate and Lyle, Coca Cola and the Commonwealth Development Corporation.

The general manager of the Simunye estates, Mr John Ranger, refused to discuss the financial aid package, saying that it was a sensitive issue. He said that Simunye's output will be "close to" 120,000 tonnes this year.

The dramatic fall in the free market sugar price has brought about the temporary cash-flow problems, a situation nonetheless which was anticipated by the investors, including the Swaziland Government, who made adequate provision for additional finance.

The Minister of Finance, Mr G. L. F. Simelane said in his budget speech that the Government's revenues from sugar export levies will drop to E8m this year, from E13m in 1981.

He added that while recognising the importance of the sugar industry to Swaziland, the Government also realised "the extent to which the Government budget can be adversely affected by a fall in world sugar prices." Sugar accounts for half of Swaziland's export earnings.

Criticism of the sugar industry's contribution to employment opportunities and its drain on public funds has grown recently. A background document to the budget said that "the expansion of sugar production may not have been in the best interests of the country."

U.S. futures feud warning

BY NANCY DUNNE IN WASHINGTON

WILL THE Commodity Futures Trading Commission survive its current reauthorisation hearings on Capitol Hill? Will the Commission emerge with the expanded powers it says it needs to oversee the mushrooming futures industry, or will its responsibilities be drastically reduced, cut to purely agricultural regulation?

These questions became the focus in an industry-wide meeting held by the Futures Industry Association in Bocaraton, Florida, where more than 1,000 delegates last week pondered the future of their regulator.

The user fee, proposed by the commission to finance CFTC operations, has grown into the kind of controversy which can tear industry and regulator apart.

Opposition arises from the National Futures Association (NFA), the self-regulatory organisation approved by the commission last autumn, which also needs industry financing. NFA officials, who fear that the user fee could kill the organisation, have been bitterly protesting it in the reauthorisation hearings.

Speaking at the conference, Mr Philip Johnson, CFTC chairman, warned that the industry has embarked on a dangerous course in opposing the user fee. It is, he said, "sure to raise doubts in the minds of many about the industry's commitment to greater self-regulation."

If the CFTC does not keep up with industry growth, he said, "the strident chorus in the Press that the Commission cannot keep pace will soon be true, resulting in a gradual paralysis of the agency and in an amplification of the campaign to turn the industry over to other federal and state regulators."

Also dividing the commission and the industry is a CFTC proposal to make top executives of member companies responsible for the actions of their employees. Mr Johnson said the CFTC wants to reach those who control company policy. Industry leaders say it would make a company chairman responsible even for violations of subsidiary salesmen.

The second day of the conference brought news of the latest salvo from the commission's powerful antagonist, the Washington Post, which asserted that "this time the sun actually might set on the CFTC." An article by Jerry Knight concluded that the industry leaders had "fled" to Florida "to try to get its act together. . . The industry and the agency had better come up with some new answers, otherwise Congress is going to continue to dwell on the same old question: Why should the CFTC exist?"

The commission's opponents are not limited to the Press and the politicians.

"As the commodity industry spreads its wings, other industries feel threatened," Mr Johnson said. "If they cannot compete in the marketplace, they will turn to other means to stem the tide. They may attempt to undermine the industry's and the CFTC's image in the Congress and among the public. They may encourage steps, through new laws or regulations, to throw obstacles in the industry's path."

He said the CFTC is attempting to guide authorisation towards, "a strong industry, a credible single regulator and a period of orderly growth not hampered by jurisdictional conflicts."

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were little changed on the London Metal Exchange, with the exception of Tin which dropped to close at £7,120 as heavy selling was only partly met by buying thought to have been on behalf of the Buffer Stock Manager. Copper moved in a narrow range to close marginally higher at £850 reflecting the downtrend in sterling following the budget. Lead moved narrowly and was finally £344.75 while the continued tightness of nearby dates was a feature in Zinc trading. Nickel advanced afresh, also reflecting a technical tightness in nearby supplies; three months closed at £3,170, after £3,190 while West German buying lifted Aluminium to £601.5 before a close of £598.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
HighGrade				
Cash	820-1	—7	824-5	+5
3 mths	847.5-8	—8.5	851-2	+1.75
Settlem't	821	—7	—	......
Cathodes				
Cash	817-8	—6.25	820-2	+1
3 months	844.5-5	—6.75	847-8	......
Settlem't	818	—5	—	......
U.S. Prod.	—	—	*76.5-82	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £850.00, 49.00, 48.50, 48.00, 47.50, 47.00, 47.50, 48.00. Cathodes, cash £817.00, three months £844.50. Kerbs, Higher Grade, three months £847.50, 48.00. Afternoon: Higher Grade, three months £853.00, 52.50, 52.00, 52.50, 53.00, 52.50, 51.00, 50.50, 50.00, 50.50, 51.00. Kerb: Higher Grade, three months £850.00, 51.00, 50.50, 50.0, 49.50, 49.00, 49.50, 50.00, 49.50. Turnover: 18,125 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7000-10	-12.5	6920-30	—110
3 months	7170-80	-52.5	7120-30	—140
Settlem't	7010	—10	—	......
Standard				
Cash	7000-10	-12.5	6920-30	—110
3 months	7170-80	-52.5	7120-30	—140
Settlem't	7010	—15	—	......
Straits E.	$30.35	+0.02	—	......
NewYork	—	......	—	

Tin—Morning: Standard, cash £6,980, 7,000, 7,010, three months £7,225, 20, 10, 7,190, 7,200, 7,190, 95, 98, 7,200, 7,150, 95, 90, 80, 75, 70, 75, 80, 70, 65, 70. Kerb: Standard, three months £7,175. Afternoon: Standard, cash £7,000, three months £7,180, 90, 80, 70, 80, 90, 7,200, 7,190, 80, 50, 40, 30, 50, 60, 50, 40, 30, 20, 25. Kerb: Standard, mid-May £7,100, three months £7,140, 50, 40, 20, 30, 25, 20. Turnover: 3,165 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	333.4	—12	334-5	+5
3 months	342.5-3	—12.2	344.5-5	+5.25
Settlem't	334	—12	—	......
U.S. Spot	—	......	*28	......

Lead—Morning: Three months £345.00, 44.50, 44.00, 43.50, 43.00, 42.50, 43.00. Kerb: Three months £342.50, 43.00, 44.00, 43.50, 44.00. Afternoon: Three months £345.00, 44.50, 45.00. Kerb: Three months £345.00, 44.50. Turnover: 13,200 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	575-6	+5	578-9	+5.25
3 months	598-.5	—7	600.5-1	+6.5

Aluminium—Morning: Three months £598.00, 98.50, 98.00. Kerb: Three months £598.50. Afternoon: Three months £599.50, 99.00, 600.00, 01.00, 01.50, 01.00. Kerb: Three months £600.00, 59.00, 599.50. Turnover: 7,975 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	442-.5	—7	443-4	—1
3 months	446.5-7	—5.5	447-8	—1
S'ment	442.5	—7	—	......
Primw'ts	—	......	*42.75-5.75	......

Zinc—Morning: Cash £442.00, three months £449.00, 48.50, 48.00, 47.50, 47.00. Kerbs: Three months £447.00. Afternoon: Three months £448.00. Kerb: Three months £448.00, 48.50. Turnover: 8,225 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	5165-60	+38	5195-200	+95
3 months	5150-5	+15	5185-88	+71.5

Nickel—Morning: Cash £3,190, three months £3,150. Kerb: Three months £3,155. Afternoon: Cash £3,200, mid-May £3,186, three months £3,180, 90, 88. Kerb: Three months £3,185, 80. Turnover: 1,086 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 15.25p an ounce lower for spot delivery in the London bullion market yesterday at 386.05p. U.S. cent equivalents of the fixing levels were: spot 700.5c, down 33.5c; three-month 724.2c, down 35.2c; six-month 748c, down 36.6c; and 12-month 796.3c, down 41.4c. The metal opened at 385-389p (697-702c) and closed at 389-393p (702-707c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	386.05p	—15.2	388p	+2.5
3 months	398.00p	—16.2	398.25p	+0.75
6 months	409.40p	—17.2	—	......
12months	433.60p	—19.5	—	......

LME—Turnover 67 (201) lots of 10,000 oz. Morning: three months 399.0, 98.8, 98.5, 400.0, 399.5. Kerb: three months 398.5. Afternoon: three months 402.5, 03.0, 399.0. Kerb: three months 400.0, 399.0, 400.0.

COCOA

After opening £8 lower prices remained steady throughout the day with commission house buying and small amounts of physical offtake. Origins remained withdrawn, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	1192-95	—2.0	1107-85
May	1167-68	+7.0	1170-58
July	1184-85	+5.5	1186-70
Sept	1198-98	+6.5	1107-85
Dec	1215-18	+5.5	1214-05
March	1232-33	+3.0	1232-25
May	1242-47	+4.5	—

Sales: 2,030 (1,636) lots of 10 tonnes. ICCO—Daily price for March 8: 94.09 (94.22). Indicator price for March 9: 93.30 (93.00).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Mar 519.0, 520.0, 522.0-519.0; May 527.0, 528.0, 527.5-526.5; July 532.2, 533.0, 533.0-532.0; Oct 525.9, 526.5, 527.0-526.0; Dec 529.0, 530.0, 530.0-529.0; Mar [illegible]

COTTON

[illegible]

COFFEE

Trade and speculative buying lifted prices to new contract highs in most positions before exaggerated gains finally prompted profit-taking and long liquidation, reports Drexel Burnham Lambert. Further selling pressure found minimal support and values eased [illegible]

[illegible]

avoided purchases, which were confined to occasional transactions in South American growths.

ICO Indicator prices for March 8: (U.S. cents per pound): Como daily 1979 [illegible] 135.33 (135.35).

GAS OIL FUTURES

The market failed sharply after trading nervously [illegible]

RUBBER

[illegible]

a March fob price for No. 1 RSS in Kuala Lumpur of 205.5 (203.5) cents a kg and SMR 20 183.0 (182.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
April	50.00-50.50	49.00-51.00	50.00
[illegible]			

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

GRAINS

[illegible]

MEAT/VEGETABLES

[illegible]

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PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 8 1982	+ or —	Month ago
[illegible]			

AMERICAN MARKETS

NEW YORK, March 9.

THE precious metals and copper rallied on good commission house short covering as dealer support surfaced. Coffee came under pressure from a lack of follow-through buying and profit taking. Cocoa continued to attract buying ahead of the ICCO meeting. The livestock complex was [illegible]

[illegible] June 53.70-53.75 (52.92), July 54.40-54.35, Aug 53.00-52.90, Oct 49.75, Dec 50.10-0.17, Feb 50.45, June 51.00.

‡‡Maize—March 255½-255¾ (257¾), May 267-267¼ (268¼), July 275½-275¼, Sept 278¾-279, Dec 283¾-284, March 297½-298.

Pork Bellies — March 74.50-74.25 (72.85), May 75.55-75.30 (73.85), July [illegible]

[illegible]

EUROPEAN MARKETS

ROTTERDAM, March 9.

[illegible]

Three Yellow spot 132, afloat 129.50, Mar 128.75, April 127, May 127, June 127, July/Sept 127, Oct/Dec 129, Jan/Mar 138 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports April 249, May 248.50, June 250, July 250.50, Aug 251.50, Sept 252, Oct 249.25, Nov [illegible]

[illegible] March 1345-1355, May 1355-1365. Sales at call: Nil.

SUGAR—(FFr per tonne): May 1795 value, July 1795-1810, Aug 1845-1850, Oct 1830-1835, Nov 1830-1835, Dec 1830-1845, March 1895-1810, May 1930-1950. Sales at call: 73.

INDICES

FINANCIAL TIMES

Mar. 8	Mar. 5	Month ago	Year ago
243.16	243.80	248.38	258.55

(Base: July 1, 1952=100).

MOODY'S

Mar. 8	Mar. 4	Month ago	Year ago
981.6	990.4	1012.4	1133.2

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 8	Mar. 4	Month ago	Year ago
Spot	123.02	124.71	128.47	—
Futr's	126.57	129.88	138.41	—

(Base: December 31 1974=100)

REUTERS

Mar. 9	Mar. 8	M'nth ago	Year ago
1578.8	1583.7	1619.1	1719.6

(Base: September 18, 1931=100)

2.50-3.00. Nectarines—Chilean: 8.50-9.00; S. African: 4.80-5.20. Plums—S. African: Per pound Songold 0.30-0.50, Kelsey 0.30-0.45. Grapes—Chilean: Thompson 11 lbs 8.50; S. African: Oen Gen Hannah 5.80, Alphonse 6.20, Waltham Cross 5.50; Brazilian: Italia 11 lbs 8.50; U.S.: Red Emperor 0.45-0.50.

Strawberries—Israeli: 0.50; U.S.: 1.0-1.10; Spanish: 0.40-0.50. Melons—Colombian: Yellow 9.00-11.00, Green 9.00-11.00; S. African: White 8.00-10.00; Chilean: Green 12.00-14.00.

Markets adversely affected by Wall Street weakness

Gilt strength reversed and equity leaders follow

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 1	Mar 11	Mar 12	Mar 22
Mar 15	Mar 25	Mar 26	Apr 5
Mar 29	Apr 15	Apr 16	Apr 26

* "New time" dealings may take place from 8.30 am two business days earlier.

Revived concern about the U.S. economy and a sudden evaporation of confidence reflected overnight in American financial markets adversely affected London stock markets as they awaited the Chancellor's Budget proposals yesterday. Sharply lower U.S bond prices initiated a flurry of profit-taking and a reversal of the recent strong tone in Government securities.

Longer-dated stocks were especially vulnerable and fell a point ahead of the 2.30 pm announcement of the February banking statistics and latest Central Government Borrowing Requirement. The initial interpretation of the former, with its indication of an unchanged sterling M3 target, was favourable and short-dated Gilts recovered strongly.

Early losses extending to ½ were regained as quotations reverted to overnight list levels, but falls among the longs were only fractionally reduced. Business in Gilt-edged ceased at the official 3.30 pm close.

All too wary recently of adverse signs emanating from U.S. equity markets, leading London shares went easier on Wall Street's latest weakness. Nervous selling was a feature of the early trade, but the price decline gradually slowed and the tone began to stabilise around noon.

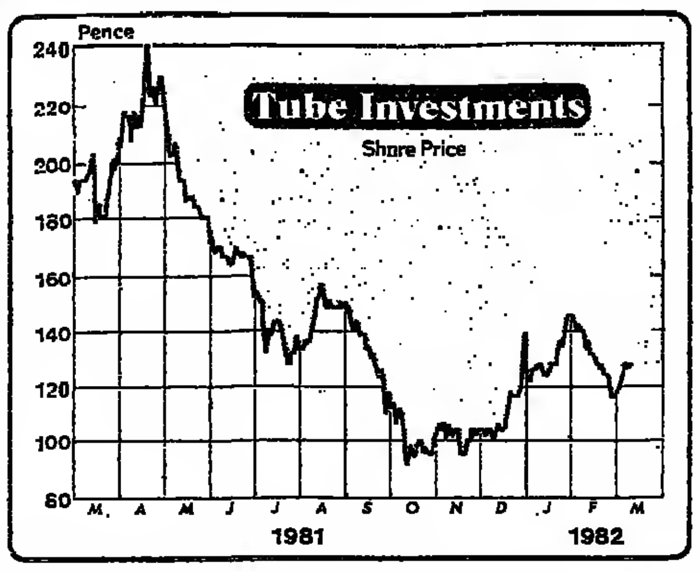
A fresh reaction in New York early yesterday, however, made for further uncertainty before equity markets began to respond to first impressions of the Chancellor's Budget proposals. Selected leaders almost regained their early losses and the result was that the FT Industrial Ordinary share index, down 8.3 at 3 pm, rallied to close only 3.3 off on the day at 560.8.

South African mining shares suffered another major setback following the shock dividend cut—the first for nearly 40 years—by De Beers Consolidated. The latter plunged to 230p before ending a net 48 lower at 244p, and falls of a similar magnitude were seen in Anglo American and Minorco.

Banks lower

A firm market of late on Press comment, the major clearing banks reacted with the general trend yesterday as buyers withdrew awaiting expected further reductions in base lending rates. Midland, which conclude the dividend season on Friday week, closed 7 down at 343p. Lloyds lost 10 to 480p, Barclays 8 to 502p and NatWest 5 to 448p. Elsewhere, Royal Bank of Scotland were fairly lively but 4 off at 118p and Standard Chartered came on offer and lost 13, at 665p. Hong Kong and Shanghai hardened a couple of pence to 134p following annual profits in line with expectations and the proposed 25 per cent scrip issue.

Insurances succumbed to the easier trend. The recently favoured Lloyds Brokers led the retreat with falls ranging to 7. Willis Faber lost that much to 405p and Minet gave up 6 to 168p.



Wines and Spirits made useful progress in response to the lower-than-expected excise duty increases. Arthur Bell, interim results due in the next Account, rose 6 to 174p, while Distillers touched 182p before settling for a net gain of 5 at 178p. Breweries continued to attract a two-way trade and finished higher, although often below the day's best. Whitbread stood out with a gain of 6 to 104p, while Grand Metropolitan firmed a couple of pence to 205p, after 208p.

Leading Buildings surrendered a few pence of recent good gains on profit-taking. Barratt Developments, at 272p, losing 5 of the previous day's rise of 15 and Wimpey shedding 3 to 105p. Tarmac, 452p, and Blue Circle, 476p, softened 4 apiece. Elsewhere, Countryside Properties improved a penny to 125p following the chairman's optimistic statement at the annual meeting, but Comben shed 2 to 47p, after 46p, on disappointment with the preliminary results.

After opening 4 lower at 342p on Wall Street influences, ICI drifted down to 338p before rallying late to close just 2 cheaper on balance at 344p. Novo Industries "B" were actively traded in the wake of the annual results and eased to £101½ before reverting to the overnight level of £103. Dixor-Strand, a strong market recently on speculative interest, shed a penny to 24p despite the reduced annual loss.

Leading Stores closed with modest losses across the board, although a firmer trend was discernible after the "House" close. Gussies "A" ended 3 cheaper at 492p, after 487p, while Marks and Spencer eased 2 to 141p. Woolworths gave up 1½ to 53p in front of today's full-year figures.

In Shoes, David Scott added 2½ for a two-day rise of 6½ to 24p, or around 2½ above the price paid by an as yet unnamed party for a near 11 per cent stake in last Monday's dawn raid.

Leading Electricals rallied smartly after-hours to close well above the day's lowest. GEC, down to 815p initially, finished only a couple of pence off at 825p, while Plessey closed 5 off at 365p, after 363p, as did Racal, at 358p, after 352p. Still reflecting adverse comment, Thorn EMI softened a few pence more to 425p, after 420p. Philips Lamps' contrasted with a rise of 5 to 495p following trading news. Elsewhere, Eurotherm put on 7 to 347p following the AGM and revived bid hopes helped Ferranti advance 15 at 660p. Air Call jumped 20 to 260p and United Scientific rose 8 at 615p. Firm of late on buying in a thin market, Farnell improved 5 more to 615p on the share sub-division proposals. Profit-taking in the wake of good results caused George Scholes, at 285p, to lose 15 of the previous day's advance of 35. Concord Rotaflex dipped 4 to 44p and Dubilier, at 74p, gave back 4 of the previous day's Press-inspired rise of 7.

Leading Engineers rarely moved in the after-hours' dealings and finished the day with scattered losses of a couple of pence. Among secondary issues, S. W. Farmer, reflecting the second-half recovery, improved 4 to 146p, while satisfactory preliminary figures left Woodhouse Rixson 2 higher at 22½p and Manganese Bronze a penny firmer at 28p. Revived demand prompted a gain of 4 to 115p in Fife Indmar, while Abwood hardened a penny to 12p following the proposed capital reduction. B. Elliott met occasional selling and eased 3 to 93p along with Laird Group, which reacted 4 to 123p.

Secondary Foods were notable for a fresh speculative flurry in Albert Fisher which touched 39½p before settling a net 4 up at 38½p; Mr A. B. Millar and associates recently acquired a 28.9 per cent stake in the company. Renewed demand in a thin market lifted J. N. Nichols (Vimto) 15 to 235p.

Misc leaders easier

Miscellaneous industrial leaders drifted lower in quiet trading awaiting the content of the Chancellor's Budget. The recently favoured pharmaceutical concerns, Glaxo and Beecham gave ground, the former closing 4 cheaper at 500p and the latter 5 off at 237p. Elsewhere, BTR declined 6 to 344p on further consideration of the results, while BET shed 7 to 156p as did Huntleigh, to 108p. News of share sales by directors left Brengreen a penny down at 46p. De La Rue declined 17 to 700p and speculative counter Inter-City Investment receded 3 to 47p. Australian concern Broken Hill Proprietary fell 21 to 170p, while Sothebys were friendless at 325p, down 13.

Nimslo, dealt in the Unlisted Securities Market, came under pressure and dipped to 195p before support at the lower level left the close a net 26 down at 202p.

Properties followed the general trend. Land Securities closing 4 cheaper at 308p, after 306p. MEPC and Capital and Counties shed 3 apiece to 223p and 118p respectively, while similar falls were marked against British Land 91p, and Great Portland Estates, 175p. Elsewhere, Estates and Agency lost 4 to 134p: Rosedimond Holdings has increased its stake in the company to 27.2 per cent. Estates and General Investments, up 16 on Monday on the agreed merger terms from Federated Land, shed 5 to 69p with the latter 4 cheaper at 132p. On the other hand, Westminster and Country put on 4 for a two-day gain of 7 to a 1981/82 peak of 82p in response to the good interim results.

Oils harden late

The announcement of a new tax structure for oil companies coupled with the 9p a gallon increase in petrol prices had little immediate impact on the Oil sector, but leading issues trended a shade firmer pending a more detailed assessment of the measures. Reflecting the overnight turnround on Wall Street, leading issues opened lower, but final quotations were a couple of pence firmer on balance. Shell ended 2 dearer at 346p, after 334p, and British Petroleum a like amount higher at 276p, after 270p. Elsewhere, Berkeley Exploration gave up 5 more to 245p, while Candecca closed 6 cheaper at 164p.

Money brokers gave further ground, R. P. Martin reacting 13 more to 380p and Mercantile House 12 to 453p.

Against the trend in Shippings, James Fisher hardened 3 more to 155p following the acquisition of Bowater's wholly-owned subsidiary, Sea Terminals and Charles England.

Tobaccos, dull awaiting the budget, rallied sharply following the relatively mild excise duty increases. Bats were particularly active and recovered from an earlier 425p to equal the 1981/82 peak of 440p, a net gain of 2 and Imperial closed 4 up at 90p.

Domestic currency pressures prompted an easier tone among South African industrials. Barlow Rand gave up 13 to 340p, while Abercom shed 10 to 115p.

De Beers hit

Already weakened by the recent sharp declines in the Financial Rand and the bullion price, De Beers were hit by a wave of heavy selling following the disclosure of the severe setback in full-year profits and the dividend cut: the dividend reduction — the first since 1944 —was said to have been the major reason for the weight of selling which saw the shares slump to a 1981/82 low of around 230p before a late, but minor, rally produced a closing price of 244p, a fall of 48p on the day's trading.

Other South African mining issues were equally hard-hit by the De Beers news. Major holders in De Beers suffered worst with Anglo American Corporation 40 down at a 1981/82 low of 455p, Anamint £3¾ off at £29¼, after a low of £28¾, and Minorco 53 cheaper at 290p.

Amcoal ended 75 weaker at 975p. Johnnies ½ off at £27½, Gencor 22 cheaper at 690p. Vogels slumped 20 to 90p.

Golds continued the recent slide, with sentiment upset by the De Beers figures, the fresh fall in the Rand and recent weakness in the bullion price. The latter was finally 75 cents up on balance at $327.25 an ounce, having touched $324 and $330 earlier in the day.

Activity in the gold sharemarket remained at a low level. Attempted selling from all international centres prompted a general mark-down of share prices which closed around the day's lows after a short-lived rally around mid-day.

The Gold Mines index dropped 6.8 more to 209.2, bringing the fall over the past five trading days to 44.8.

Australians gave up all of Monday's gains, reflecting renewed weakness in overnight domestic markets and the poor outlook for precious and base-metal prices. In the leaders, GMK fell to a 1981/82 low of 160p; Peko-Wallsend lost 12 to 278p and Western Mining 8 to 200p. Ashton Mining gave up 6 to 54p.

London-based Financials lost ground in sympathy with other mining issues. RTZ closed 11 off at 412p, Gold Fields 3 easier at 370p, after 365p, and Charter 2 lower at 220p.

Demand for Traded Options contracted slightly and 1,903 deals were arranged, comprising 734 calls and 1,169 puts—the fifth time that the latter have been in the majority since their introduction last May. Business was dominated by Imperial, which attracted 261 calls, 187 in the May 1980s, and an exceptionally active 600 puts, the May 1990s accounting for 300 trades and the August 1980s for 250.

FINANCIAL TIMES STOCK INDICES

	Mar. 9	Mar. 8	Mar. 5	Mar. 4	Mar. 3	Mar. 2	A year ago
Government Secs.	68.08	68.56	68.36	67.89	67.42	67.34	68.75
Fixed Interest	67.94	68.05	67.54	67.23	66.98	66.96	70.67
Industrial Ord.	560.8	564.1	560.7	556.7	555.2	557.8	484.3
Gold Mines	209.2	216.0	226.3	231.5	247.4	254.0	329.4
Ord. Div. Yield	5.61	5.57	5.61	5.65	5.66	5.63	7.27
Earnings, Yld. % (full)	10.33	10.27	10.34	10.41	10.45	10.38	15.64
P/E Ratio (net) (*)	12.46	12.54	12.46	12.37	12.36	12.41	7.88
Total bargains	25,348	27,069	24,604	25,830	25,013	23,804	22,877
Equity turnover £m.	—	180.27	178.45	157.06	157.63	149.31	91.86
Equity bargains	—	24,864	20,302	21,028	20,295	21,887	17,423

10 am 559.1. 11 am 557.8. Noon 555.8. 1 pm 555.8. 2 pm 555.6. 3 pm 555.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=11.22.

HIGHS AND LOWS

	1981/2 High	1981/2 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5/81)	60.17 (26/10/81)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5/81)	61.61 (26/10/81)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4/81)	446.0 (14/1/81)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9/81)	209.2 (9/3/82)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 8	Mar. 5
—Daily		
Gilt Edged Bargains	275.7	238.7
Equities Bargains	159.7	131.5
Value	564.4	356.6
5-day Avrge.		
Gilt-Edged Bargains	229.2	216.5
Equities Bargains	140.2	152.2
Value	331.8	302.2

London Clearing Banks' balances

as at February 17 1982

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	Total outstanding £m	Change on month £m	Change on month £m
Sterling deposits:				
UK banking sector	9,974		+ 524	
UK private sector	45,178		− 580	
UK public sector	856		− 55	
Overseas residents	5,528		+ 210	
Certificates of deposit	2,851		+ 257	
		64,388		+ 357
of which: Sight		20,453		− 523
Time (inc. CD's)		43,934		+ 880
Foreign currency deposits:				
UK banking sector	12,692		+ 491	
Other UK residents	2,878		− 96	
Overseas residents	29,899		+1,703	
Certificates of deposit	3,802		+ 279	
		49,270		+2,377
Total deposits		113,658		+2,735
Other liabilities*		13,653		− 442
TOTAL LIABILITIES		127,311		+2,293
ASSETS				
Sterling				
Cash and balances with Bank of England		1,251		− 105
Market loans:				
Discount market	2,632		+ 143	
UK banks	9,475		+ 185	
Certificates of deposit	1,474		+ 63	
Local authorities	1,432		− 8	
Other	1,416		− 13	
		16,429		+ 371
Bills:				
Treasury bills	395		− 31	
Other bills	1,086		+ 41	
		1,481		+ 10
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,555		+ 47	
Other	2,423		+ 38	
		4,978		+ 85
Advances:				
UK private sector	40,573		+ 376	
UK public sector	376		− 148	
Overseas residents	3,271		+ 37	
		44,219		+ 265
Other sterling assets*		7,550		− 729
Foreign currencies				
Market loans:				
UK banks and discount market	12,450		+ 924	
Certificates of deposit	331		+ 77	
Other	21,620		+ 958	
		34,401		+1,958
Bills		84		+ 22
Advances:				
UK private sector	3,018		+ 102	
UK public sector	474		+ 12	
Overseas residents	10,826		+ 388	
		14,319		+ 502
Other foreign currency assets*		2,599		− 86
TOTAL ASSETS		127,311		+2,293
Acceptances		2,165		+ 171
Eligible liabilities		48,923		+ 509

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	113,658	+2,735	32,290	+467	19,845	+425	24,316	+656	34,066	+1,022	3,140	+165
ASSETS												
Cash and balances with Bank of England	1,251	− 105	375	− 19	193	− 23	233	− 49	410	− 6	40	− 8
Market loans:												
UK monetary sector	24,557	+1,252	6,749	+112	3,727	+148	3,519	+237	9,955	+677	607	+ 78
Other	26,273	+1,077	7,078	+ 74	5,278	+161	5,804	+409	7,341	+399	771	+ 34
Bills	1,565	+ 32	495	− 4	143	− 25	469	+ 9	414	+ 48	43	+ 4
British Government stocks	2,555	+ 47	799	+ 56	429	− 2	753	+ 2	522	− 8	52	—
Advances	58,538	+ 767	17,340	+253	10,724	+145	12,869	+214	15,898	+106	1,709	+ 48

TABLE 3.

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES	48,923	+ 509	15,987	+320	8,342	+ 93	10,133	+118	13,060	− 60	1,401	+ 38

NEW HIGHS AND LOWS FOR 1981/2

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981-82.

NEW HIGHS (31)

LOANS (1)
USMC 9pc 1982 without Warrants

AMERICANS (1)
C.P.C.

CANADIANS (1)
Int. Nat. Gas

BUILDINGS (4)
BPB Inds. Lilley (F. J. C.)
Countryside RMC

CHEMICALS (2)
Halstead (J.) Plysu

ELECTRICALS (6)
Air Call Farnell Elec.
Cambridge Elec. M.K. Electric
Eurotherm Int. Memec

ENGINEERING (3)
Fife Indmar Woodhouse & Rixson
Terrif

HOTELS (1)
Kennedy Brookes

INDUSTRIALS (6)
Berisfords Prestige
Black (P.) St.-Gobain
Hanson Trust 6½pc Cnv. Wolseley-Hughes

LEISURE (1)
Owners Abroad

PAPER (1)
Capseals

PROPERTY (1)
Westminster Country

TOBACCOS (1)
Imperial

TRUSTS (2)
Cedar Inv. Suez Fin.

NEW LOWS (116)

AMERICANS (7)
CANADIANS (3)
ENGINEERING (2)
INDUSTRIALS (4)
PROPERTY (1)
SOUTH AFRICANS (2)
TRUSTS (10)
OIL & GAS (27)
RUBBERS (1)
MINES (59)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	66	26
Corpns. Dom. & Foreign Bonds	7	8	59
Industrials	149	382	825
Financial & Props.	27	243	249
Oils	9	64	37
Plantations	—	10	14
Mines	12	105	47
Others	25	70	49
Totals	229	948	1,306

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 8	Mar 19	June 17	June 28
Mar 22	April 2	July 1	July 12
Apr 5	Apr 26	July 15	July 26

For rate indications see end of Share Information Service

Stocks favoured for the call included Nimslo, Second City Properties, NCC, Johnson and Firth Brown, Woodside, Exco, Pennine Commercial, BSG, Marks and Spencer, Charterhall, KCA International, Clive Discount and Clyde Petroleum. Puts were taken out in Pennine Commercial and Unisel, while doubles were arranged in Wearwell and First National Finance.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −	Div.	Times covered	Gross yield	P/E ratio
142	[illegible]	[illegible]	[illegible]	[illegible]	Amersham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80	[illegible]	[illegible]	[illegible]	[illegible]	Eldridge Pope £1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—	[illegible]	[illegible]	[illegible]	[illegible]	Fleet Holdings 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—	[illegible]	[illegible]	[illegible]	[illegible]	Greenfriar Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§90	[illegible]	[illegible]	[illegible]	[illegible]	Imm. Bus. Sys. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Malaysian Tin 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§130	[illegible]	[illegible]	[illegible]	[illegible]	Osceola 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Osprey Assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TSW 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	[illegible]	[illegible]	[illegible]	[illegible]	York Mount	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price £	+ or −
§100	[illegible]	[illegible]	[illegible]	[illegible]	Barclays 16% Ln. Stk.	[illegible]	[illegible]
100	[illegible]	[illegible]	[illegible]	[illegible]	Boddingtons Brew 9½% Cnv. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Churchbury Ests. 5¾% Cnv. Ln 1996	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 8pc Cnv. Ln. 1987	[illegible]	[illegible]
100	[illegible]	[illegible]	[illegible]	[illegible]	Hunting Pet. 10% Cnv. Ln. 1997	[illegible]	[illegible]
99	[illegible]	[illegible]	[illegible]	[illegible]	Lee Valley 9½% Red. Prf. 1989	[illegible]	[illegible]
87	[illegible]	[illegible]	[illegible]	[illegible]	Mid-Kent Water 9½% Red. Prf. 1987	[illegible]	[illegible]
§100	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide Bdg. Soc. 16¼% (17/1/83)	[illegible]	[illegible]
§100	[illegible]	[illegible]	[illegible]	[illegible]	Do. 16⅛% (7/3/83)	[illegible]	[illegible]
§100	[illegible]	[illegible]	[illegible]	[illegible]	Do. 14¾% (14/3/83)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rooners 11% Cum Prf.	[illegible]	[illegible]
98.5	[illegible]	[illegible]	[illegible]	[illegible]	Trans-Canada Pipelines 16% Notes 2007	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
244.3	Nil	[illegible]	[illegible]	[illegible]	Cambrian & Gen. Units	[illegible]	[illegible]
70	Nil	[illegible]	[illegible]	[illegible]	Clyde Petroleum	[illegible]	[illegible]
140	F.P.	[illegible]	[illegible]	[illegible]	Davy Corp.	[illegible]	[illegible]
40	Nil	[illegible]	[illegible]	[illegible]	Energy Finance 10p	[illegible]	[illegible]
30	Nil	[illegible]	[illegible]	[illegible]	First Castle 10p	[illegible]	[illegible]
160	Nil	[illegible]	[illegible]	[illegible]	Hunting Pet. Services	[illegible]	[illegible]
230	F.P.	[illegible]	[illegible]	[illegible]	Lovell (Y.J.)	[illegible]	[illegible]
188	F.P.	[illegible]	[illegible]	[illegible]	MEPC	[illegible]	[illegible]
110	Nil	[illegible]	[illegible]	[illegible]	Security Centres	[illegible]	[illegible]
25	F.P.	[illegible]	[illegible]	[illegible]	Smith St. Aubyn	[illegible]	[illegible]
45	F.P.	[illegible]	[illegible]	[illegible]	Sceaus Romana (Brit.)	[illegible]	[illegible]
10	Nil	[illegible]	[illegible]	[illegible]	Sturla 10p	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ♦ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. * With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. Shares.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Anglo American Crp	455	−40	Fisher (A.)	38½	+ 4
Bat Inds	440	+ 5	Minorco	290	−53
Barlow Rand	340	−13	Nimslo Intl	202	−25
Barratt Devs	272	− 5	Novo A/S B	£103	—
De Beers Dfd	244	−48	Pleasurama	410	− 2
De La Rue	700	−17	Racal Elec	358	− 5

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Driefontein	20	822	−90	BICC	13	323	+11
GEC	16	827	+ 7	LASMO	13	290	−10
Vaal Reefs	16	£23⅞	− ⅞	Cons Gold	12	373	− 2
BTR	14	350	− 2	Sonic Sound	12	112	+12
Barratt Devs	14	277	+16	Barclays Bk	11	510	+ 5
ICI	14	346	+ 8	BP	11	274	− 5
Ultramar	14	358	−10	Thorn EMI	11	423	—

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues March 9 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon March 8 Index No.	Fri March 5 Index No.	Thur March 4 Index No.	Wed March 3 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Engineering Contractors (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (67)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (196)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household Products (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Packaging and Paper (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39	Other Consumer (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (79)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Miscellaneous (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (112)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (750)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Tues March 9	Day's change %	Mon March 8	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All Stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	AVERAGE GROSS REDEMPTION YIELDS	Tues March 9	Mon March 8	Year ago (approx.)
	British Government			
1	Low 5 years	[illegible]	[illegible]	[illegible]
2	Coupons 15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4	Medium 5 years	[illegible]	[illegible]	[illegible]
5	Coupons 15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7	High 5 years	[illegible]	[illegible]	[illegible]
8	Coupons 15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables	[illegible]	[illegible]	[illegible]
11	Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12	15 years	[illegible]	[illegible]	[illegible]
13	25 years	[illegible]	[illegible]	[illegible]
14	Preference	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

مكذا مني الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	54.4	58.5	−0.2	2.48
Capital	38.9	42.0	−0.4	4.05
(Accum. Units)	50.3	54.3	−0.5	4.05
General	61.2	66.3	−0.6	4.64
Gilt & Fixed Int.	101.7	107.1xd	−0.7	12.23
Income	39.8	43.0	−0.2	8.70
Worldwide Bond	108.7	115.0	+0.1	4.78
Inv. Tst. Fd.	53.2	57.5	−0.6	4.17
Equitas Prog.	84.4	91.2	−0.8	4.48

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	91.1	95.8xd	−0.8	12.67

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds				
Allied 1st	92.2	98.7xd	−0.8	5.46
Brit. Inds. Fund	83.0	89.R	−0.7	6.01
Growth & Income	59.6	63.8	−0.4	3.92
Elect. & Ind. Dev.	47.4	50.7	−0.4	4.36
Allied Capital	103.0	110.2	−0.9	4.53
Hambro Fund	141.7	151.6	−1.3	5.34
Hambro Acc. Fund	206.5	221.0	−1.3	4.52
Income Funds				
High Yield Fd.	70.3	75.2xd	−0.4	8.46
High Income	86.9	93.0xd	−0.4	7.31
Equity Income Fd.	49.2	52.6	−0.4	7.02
Govt. Secs.	25.3	26.0	−0.2	12.23
International Funds				
International	32.5	34.8	+0.1	2.64
Japan Fund	26.9	28.8	−0.2	0.57
Pacific Fund	62.5	66.7	−0.3	1.41
American Spec. Sits.	23.6	25.2	+0.2	1.10
Secs. Of America	76.6	82.0	−0.1	2.99
Specialist Funds				
Smaller Co.'s Fd.	60.6	64.8	−0.1	3.63
2nd Smlr. Co's Fd.	75.5	80.8	.....	4.02
Recovery	29.7	31.8	−0.1	4.43
Met. Min. & C'dty.	55.7	59.5	−0.6	6.51
Overseas Earnings	80.6	86.2	−0.8	4.66
Exempt Funds				
Income Exempt	55.6	58.4	−0.3	8.05
Far East Exempt	69.0	71.8	−0.4	1.74
Smaller Co. Exempt	103.3	108.5	−0.1	3.64
U.S.A. Exempt	125.3	130.3xd	+0.4	3.02

Anderson Unit Trust Managers Ltd.
62, London Wall, EC2R 7DQ 01-638 1200

Anderson U.T.	67.4	73.0	.....	3.39

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	162.0	172.0xd	.....	10.38
Leics A.Gen. Fd.	55.0	58.0	.....	7.33

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	35.7	38.4xd	.....	2.80
Do. Accum.	46.3	49.8xd	.....	8.50

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital	33.4	35.[illegible]	−0.1	—
Commodity	59.2	[illegible]	−2.4	2.98
(Accumulation)	94.7	[illegible]	−3.6	2.98
(10% Withdrawal)	41.6	44.[illegible]	−1.6	2.98
Eastern & Internatl.	45.4	[illegible]	−0.5	1.80

[illegible]

Choularton Fund Managers(a)
57-63, Princess St., Manchester. 061-236 5685

Growth	14.2	15.3	.....	4.00
International	49.8	53.8xd	.....	1.26
High Income	29.3	31.6	.....	11.11

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	78.0	82.1	+0.3	4.50

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.6	40.0	−0.2	11.07
North American	55.3	59.7	.....	2.81
Canadian Exempt*	51.7	54.7	−2.3	3.57
Canadian Trust	44.9	48.6	−0.3	2.83
Mid Mount High Inc.*	46.5	49.2xd	+0.1	9.75
Recovery	57.3	62.6	−0.4	3.52
Gilt Trust	39.4	41.2xd	−0.3	13.75

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 3492

Cres. Amer. Fd.	36.7	38.9	−0.7	1.05
Cres. Cap. Fd.	—	25.0	.....	3.60
Cres. High. Dist.	48.4	52.2	−0.3	8.76
Cres. Internat'l	78.7	85.0	.....	1.76
Cres. Reserves	52.7	56.9xd	−0.5	5.27
Cres. Tokyo	36.4	39.3	−0.4	0.32

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	22.2	24.6	+0.5	5.64

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. Feb 26	255.3	272.2	.....	4.91

Dunbar Unit Trust Managers Ltd.
53, Pall Mall, London, SW1 5JH. 01-930 2122

Income & Growth	23.3	24.7	−0.1	7.49
Special Sits.	24.3	25.8	−0.4	3.07

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.9	23.5	.....	7.40
Gt. Winchester O'seas	31.4	34.8	.....	3.59

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

UK Gwth. Tst. Acc.	57.4	61.7	.....	4.69
UK Gwth. Tst. Inc.	57.4	61.7	.....	4.69
Higher Inc. Tst. Acc.	59.9	64.4	.....	8.01
Higher Inc. Tst. Inc.	59.9	64.4	.....	8.01
Gilts/Fxd. Int. Tst. Acc.	54.8	57.6xd	.....	5.23
Gilts/Fxd. Int. Tst. Inc.	53.6	56.4xd	.....	5.23
Nth. America Tst. Acc.	48.0	51.6	.....	1.74
Far East Tst. Acc.	43.5	46.7	.....	1.07
General Tst.	95.1	102.2	.....	4.67

Fidelity International Management Ltd.
20, Abchurch Lane, London EC4N 7AL. 283 9911

American (z)	34.7	37.6	−0.5	0.74
Amer. Spec. Sits. (z)	23.8	25.9	−0.3	0.01
Gilt & Fixed Int.	24.3	25.1	−0.1	12.97
Growth & Income	33.9	37.0	+0.2	6.92
Japan Trust (z)	22.1	23.9	−0.2	—
Max. Inc. Eq. Tst.	31.1	33.7xd	.....	8.98
Special Sits.	38.6	42.5	+0.6	0.69

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	35.2	37.8	.....	2.04
Accum. Units	43.8	47.1	.....	2.04
J. Finlay High Income	39.2	42.1	.....	9.22
Finlay Wld. Energy	12.1	13.0	−0.2	3.06
Accum. Units	15.7	16.9	−0.3	3.06
J. Finlay Fd. In. Tst.	42.1	45.3	.....	5.63
Accum. Units	55.7	59.9	.....	5.65

Prices on March 3. Next dealing Mar. 10.

Framlington Unit Mgt. Ltd. (a)

[illegible]

Charities Official Invest. Fund‡‡
77 London Wall, EC2N 1DB. 01-588 1815

Income Jan 21		167.41	.....	7.23
Accum. Jan 31		411.25	.....	—

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632.

American (z)	23.5	25.6	−0.2	1.80
Australian (z)	17.4	18.5	−0.1	1.32
Far Eastern Tst. (z)	36.3	39.4	−0.3	1.35
High Income	36.4	39.5	−0.2	11.03
Inst. Trust (z)	39.4	42.8	−0.1	1.71
Basic Resources Tst.	35.1	35.1	−1.0	2.77
Inch. Growth Tst.	75.1	27.3	−0.1	8.14
Pref. & Gilt Tst.	31.6	20.1		15.35
Smaller Co's Trust	29.7	32.3	−0.1	3.32

NOTES

Prices are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

[illegible]

INSURANCE BONDS

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981-82 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅞	98¾	Treas. Variable '82‡‡	99⅞	......	13.01	13.26
98⅞	95¼	Treasury 8¼pc '82	98⅞	......	8.34	11.83
95¼	93½	Exch. 9¼pc 1982	98¼xd		9.42	12.70
97	92⅝	Exch. 8¾pc 1983	97		9.02	12.60
94	84⅞	Exch. 3pc 1983	93⅝		3.20	10.17
99⅞	95	Treasury 12pc 1983‡‡	99⅛xd		12.11	12.96
99⅝	96⅛	Treas. Variable '83‡‡	99⅝		13.05	13.23
96⅞	90⅛	Treasury 9¼pc '83	96⅞		9.55	11.80
101⅞	95¼	Exch 13½pc '83	100½		13.43	13.10
96	89⅛	Exch. 10pc 1983	96		10.42	12.55
90½	83½	Funding 5½pc '82-84‡‡	90		6.11	11.62
97	90	Exch. 11¼pc 1984	97		11.60	13.02
103⅞	95⅛	Exchequer 14pc 1984	101¼		13.83	13.30
84¼	77	Exch. 3pc 1984	84¼		3.54	10.71
98⅞	90½	Treasury 12pc 1984	97¼xd		13.34	13.30
107¼	95⅞	Treasury 15pc 1985	103¼		14.53	13.61
98⅞	88¼	Exch. 12pc Cnv. '85	96¼xd		12.47	13.56
76¼	71	Treasury 3pc 1985	78¼		3.81	11.06
96⅞	85¼	Treasury 11½pc 1985	94⅛		12.22	13.73
93⅞	87⅝	Exch. 12¼pc 1985	95¼		12.86	13.90
97⅛	84¼	Exch. 11¾pc '86	93⅝	......	12.55	13.89
74¼	65¼	Treasury 3pc 1986	73½		4.08	11.06
97⅞	84½	Treasury 12pc '86	93⅝		12.82	14.01
88⅝	79½	Treasury 8½pc '84-86‡‡	86		9.88	12.80
99¼	91⅞	Exch. 14pc 1986	99¼		14.11	14.20
103⅞	90	Exch. 13¼pc 1987	96⅞		13.68	13.84
58⅛	55	Do. A (£50 pd.)	58¼	−⅛	13.73	14.25

Five to Fifteen Years

1981-82 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
81¾	71⅛	Funding 6½pc '85-87‡‡	80⅝	−⅛	8.30	12.66
67	64½	Treasury 3pc 1987	66⅝	−⅝	4.54	12.06
96	81½	Treas. 12pc 1987	95½	−½	13.14	14.79
81½	72¼	Treasury 7¾pc '85-88‡‡	79⅝	−⅜	9.85	13.35
65½	56⅝	Transport 3pc '78-88	63⅛	−⅜	4.79	11.94
92¼	79	Treasury 11½pc 1989	88¼	−¼	13.11	14.89
67¼	59¼	Treasury 5pc '86-89	64xd	−½	7.75	12.54
101½	85¼	Treasury 13pc 1990‡‡	96¼	−½	13.78	14.67
95⅛	81⅞	Exch. 12½pc 1990	91¼xd	−¼	13.64	14.70
80⅞	69⅞	Treasury 8¼pc '87-90‡‡	77¼	−¼	10.95	13.77
93⅞	77¼	Treasury 11¾pc 1991	89	−⅜	13.49	14.77
66⅛	57	Funding 5¾pc '87-91‡‡	63½xd	−½	9.00	12.90
90	72⅝	Exch 11pc 1991	83⅞	−⅝	13.21	14.71
98⅞	81¼	Treasury 12¾pc '92‡‡	93¼	−⅞	13.92	14.80
82⅞	69⅞	Treasury 10pc 1992	79⅜	−¼	12.67	14.48
94⅞	79	Exch. 12¼pc '92	89¼	−⅞	13.79	14.80
101⅞	84¼	Exchequer 13½pc '92	94¾xd	−1	14.18	14.90
96⅛	79¼	Treasury 12½pc '93‡‡	91¼	−1	13.91	14.76
63⅞	53¼	Funding 6pc 1993‡‡	60¾xd	−½	9.92	12.85
105¼	84	Treasury 13¾pc 1993‡‡	100⅜	−1	14.27	14.73
107¼	90⅛	Treasury 14½pc '94‡‡	101⅛	−1	14.39	14.82
104¼	82⅞	Exchequer 13½pc 1994	99⅜	−1	14.30	15.03
95⅝	79¼	Exch. 12½pc 1994	89¼	−1¼	14.01	14.87
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1981/82 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
248	118	Jardine M. SHK$	138	+1	†Q88c	2.0	5.9	8.6
		For Jentique see Melamec Jentique						
257	152	Johnson Clnrs.	212	−3	†7.0	[illegible]	4.7	7.0
*308	186	Johnson Mthy. £1	255	−3	9.5	[illegible]	5.3	(9.4)
92	57	Jourdan (T.) 10p	78	......	5.25	[illegible]	9.6	8.1
81	37	Kalamazoo 10p	42	+1	2.5	[illegible]	8.5	19.4
170	128	Kelsey Inds.	165	......	8.0	[illegible]	6.9	9.4
152	112	Kennedy Sm. 10p	143	......	†4.38	[illegible]	4.4	7.6
330	225	Kershaw (A.) 5p	265xd	......	21.75	[illegible]	11.7	(8.5)
75	41	Kleen-E-Ze Hldgs.	50	+3	5.5	[illegible]	15.7	(14.0)
75	55	L.C.P. Hlds	64	......	4.3	0.8	9.6	(19.5)
49½	37	L.R.C. Int. 10p	46	−1	2.5	[illegible]	7.8	10.4
96	32½	Lawtex	44	......	1.5	—	4.9	—
198	116	Lead Inds. 50p	176	......	9.66	[illegible]	7.8	11.8
125	55	Leadenhall Sterling	118	......	♦3.5	1.5	4.2	19.7
330	275	Lep Group 10p	310	......	16.5	2.1	7.6	7.2
76	13	Lesney Prods. 5p	14	......	—	—	—	—
45	30	Lilleshall 10p	37	......	3.5	—	13.5	—
50	25	Lon. & Liv. 10p	42	+1	†1.7	3.3	5.8	6.2
128	89	London & Midl'd	95	......	7.75	1.1	11.7	(11.3)
49½	29	Lon. & Nthn. Grp.	42½	......	3.75	2.5	12.6	3.6
30	23	♦Lon. Priv. Health	27	......	—	—	—	—
9¾	5½	Long Hmbly. 10p	7¾	......	B—	—	—	—
68	36	Longton Inds.	46	......	1.0	—	3.1	—
47	28	Lonsdale Unhrsl.	33	......	1.0	♦	4.3	♦

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	42	......	**IRISH**		
Bertrams	17#	......	Conv. 9% '80/82	£95⅞	......
Bdg'wtr. Est. 50p	420	+5	Nat. 9¼% 84/89	£66½	......
Craig & Rose £1	£12¼	......	Fin. 13% 97/02	£68⅝	+⅛
Finlay Pkg. 5p	25½	......	Alliance Gas	55	−5
Graig Ship. £1	£20	......	Arnott	225	......
Higsons Brew	65	......	Carroll (P.J.)	75	......
Holt (Jos) 25p	565	......	Concrete Prods.	90	......
I.O.M. Stm. £1	120	......	Heiton (Hldgs.)	22	......
Pearce (C. H.)	£10½	......	Irish Ropes	37	......
Peel Hldgs.	126½	......	Jacob	70	......
Sheff. Refrshmt.	80	......	T.M.G.	11xr	+½
Sindall (Wm.)	200	......	Unidare	53	......

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	8	House of Fraser	15	Utd. Drapery	7
BOC Intl.	15	I.C.I.	24	Vickers	16
B.S.R.	0½	"Imps"	8	Woolworths	5
Babcock	10	I.C.L.	5½		
Barclays Bank	42	Ladbroke	15	**Property**	
Beecham	21	Legal & Gen.	19	Brit. Land	7½
Blue Circle	48	Lex Service	10	Cap. Counties	10
Boots	19	Lloyds Bank	42	Land Secs.	28
Bowaters	24	"Lots"	6½	MEPC	28
Brit. Aerospace	17	London Brick	7	Peachey	14
B.A.T.	38	Lucas Inds.	20	Samuel Props.	11
Brown (J.)	7	"Mams"	12	Town & City	3½
Burton Ord.	15	Mrks. & Spncr	12		
Cadburys	9	Midland Bank	30	**Oils**	
Courtaulds	8	N.E.I.	9	Brit. Petroleum	26
Debenhams	7	Nat. West. Bank	38	Burmah Oil	10
Distillers	15	P & O Dfd.	14	Charterhall	6
Dunlop	6½	Plessey	32	KCA	14
Eagle Star	33	Racal Elect.	35	Premier	6
F.N.F.C.	4	R.H.M.	6½	Shell	30
Gen. Accident	28	Rank Org. Ord.	20	Tricentrol	22
Gen. Electric	65	Reed Intnl.	26	Ultramar	38
Glaxo	42	Sears	6		
Grand Met.	17	Tesco	5½	**Mines**	
G.U.S. 'A'	45	Thorn EMI	42		
Guardian	25	Trust Houses	11	Charter Cons.	25
G.K.N.	15	Tube Invest.	13	Cons. Gold	45
Hawker Sidd	10	Turner & Newall	11	Lonrho	7
		Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

FINANCIAL TIMES

Wednesday March 10 1982

News Summary

GENERAL

Butler dies aged 79

Lord Butler, of Saffron Walden, died at his Essex home aged 79. He held nearly all the major offices of state and played a decisive role in remoulding the modern Conservative Party.

In spite of his gifts the premiership eluded him. Harold Macmillan beat him for the job in 1957 and Sir Alec Douglas-Home in 1963. On both occasions he lost because he lacked the killer instinct.

His ministerial career began as Under-Secretary for India in 1932. In 1938 he played a prominent part in Chamberlain's policy of appeasing Hitler. Obituary, Page 7

Libs will fight

Liberal and SDP leaders said the Liberals will fight the Beaconsfield by-election caused by the death of Sir Ronald Bell.

Red Cross plea

International Red Cross is seeking the release of detained Polish dissident Jan Jozef Lipski, who is suffering from heart disease.

LT strike today

Travellers can expect severe disruption because of today's strike by London Transport staff who are protesting at the doubling of LT fares on March 21. Page 6

Gadafi invitation

Libyan leader Muammar Gadafi invited exiled opponents to a reconciliation meeting during his visit to Austria this week.

Slave traffic

Women are being kidnapped in Central China and sold to men seeking wives, according to a letter broadcast by a local radio station.

Unhappy snap

Bao Bao, a panda given to West Germany's Chancellor Schmidt by China, bit off a photographer's finger in a picture session at West Berlin Zoo.

Briefly . . .

Palermo's public health office was ordered closed because it was insanitary.

Forged £20 notes worth £960,000 were seized by police in raids in London and the Home Counties.

South American Rugby Union party arrived for tour of South Africa.

Prostitution legalisation was opposed by 600 women outside the Philippine National Assembly.

Khomeini aide Ayatollah Rabani-Shirazi was killed in a car accident near Kum, Iran.

BUSINESS

Gilts weak; dollar firmer

● GILTS responded to Wall Street weakness. The Government Securities Index lost 0.48 to finish at 68.08. Page 40

● EQUITIES initially followed gilts, but rallied on first impressions of the Budget. The FT 30-share index closed just 3.3 off at 560.8 after being down 8.3 at 3 pm. Page 40

● DOLLAR rose to DM 2.3685 (DM 2.3415). FFr 6.0625 (FFr 5.996). SwFr 1.865 (SwFr 1.84) and Y237.50 (Y234.15). Its trade-weighted index rose to 113 (112). Page 30

● STERLING fell 2.25 cents to $1.8025. It eased to DM4.27 (DM4.2750) and FFr 10.925 (FFr 10.94), rose to Y428 (Y427.50) and was unchanged at SwFr 3.36. Its trade-weighted index was unchanged at 90.2 Page 30

● GOLD rose $0.75 to close at $327.25. Page 30

● WALL STREET was unchanged at 795.47 near the close. Page 34

● MONEY SUPPLY figures for last month were the best for more than two years, according to provisional indications. Page 6

● BL's reshaping of its volume car operations will involve setting up an organisation called Austin Rover. Page 6

● VOSPER THORNEYCROFT, the leading British warship builder, declared 360 redundancies and expects to announce between 200 and 300 more this summer. Page 6

● W. GERMAN INTEREST rates have fallen sharply and are now back to the levels of early 1981. Page 3

Haughey made Irish PM with help of independents

BY BRENDAN KEENAN IN DUBLIN

MR CHARLES HAUGHEY was elected Taoiseach (Prime Minister) of the Irish Republic yesterday when he won the support of five of the six independent members who hold the balance of power in the present Dublin Parliament.

The Labour Party decision to abandon its policy of entering into coalition means Mr Haughey's Fianna Fail Party could be set for a long period in office even though this particular Parliament may not last its full five-year term.

The Labour decision followed a stormy meeting of the party's ruling administrative council.

The decision not to renew a coalition pact with Dr Garret FitzGerald's Fine Gael Party wkas bitterly criticised by Labour's deputy leader, Mr Barry Desmond, as "cowardly."

Mr Haughey's victory was assured when Sinn Fein the Workers' Party (SFWP), which has three seats in the 166 seat Dail, announced that they were going to vote for him. Donegal independent, Mr Neil Blaney, and Dublin Independent Mr Tony Gregory, also said they would vote for Mr Haughey.

That left Dr FitzGerald with the support of Labour's 15 members and independent Mr Jim Kemmy.

The final result — after Dr John O'Connell had been re-elected to the chair, was 86 for Mr Haughey and 79 for Dr FitzGerald.

After the result in accordance with tradition, the Dail adjourned while Mr Haughey took his chosen ministers to receive their seals from President Patrick Hillery before returning to announce his Cabinet to the House.

Earlier there were gasps and jeers from Dr Fitzgerald's supporters as Mr Gregory gave details of written commitments totalling more than I£130m (£107m) which he said Mr Haughey had given him in return for his support.

Mr Gregory said the agreement had been witnessed by the general secretaory of the Irish Transport and General Workers' Union. It included a major increase in Dublin's house-building programme with an extra I£91m this year.

There were calls of: "What about the rest of the country?" when Mr Gregory added that the Dublin Corporation's general budget would be increased by I£20m this year and that Mr Haughey had also pledged to nationalise a recently-closed paper mill in Clondalkin, Co Dublin, if no other option were available.

The Independents and SFWP made it clear that Mr Haughey's responses to their demands were more positive than Dr Fitzgerald's.

Dr Fitzgerald and his supporters seemed certain to attack Mr Haughey for promising so much public money in return for voting support.

The Independents made it clear, however, that their support was guaranteed only for the vote for the premiership and they were not committed to general support for Mr Haughey's Government.

BBC to start £5m breakfast TV service

By Arthur Sandles

THE BBC is to start a £5m breakfast television service next year. It will be on the air weeks ahead of TV-AM, the ITV service, scheduled to start in May 1983.

TV-AM, however, is pressing the Independent Broadcasting Authority to bring forward its own starting date.

Details of the BBC service, which will operate on weekdays from 6.30 am to about 9.00 am, come only days after the corporation was awarded the right to operate two direct-satellite broadcasting channels in the mid-1980s.

The BBC says the money to run the service will come from increased commercial returns, notably from an involvement in cable television in the U.S., and from domestic reorganisation.

The BBC breakfast service will be operating on about a quarter of the budget of TV-AM, whose chairman is Mr Peter Jay, a former UK Ambassador to Washington. It will be able to draw, however, on the corporations' full resources. Its lack of funds might mean it will be largely studio-based.

Yesterday Mr Alasdair Milne, the BBC's director general-designate, estimated that between 2m and 3m people would watch breakfast television. This would be shared between the two channels.

The corporation has dropped its earlier concept of Radiovision. This would have involved televising the present Radio Four Today programme.

Mr Milne said the corporation had chosen to enter the breakfast television field "simply because we believe that the viewers should be offered a choice at this time as they are at most others."

The programme has a present prospective budget of £7,500 an hour, a remarkably low figure when contrasted with average BBC-1 production costs of £34,000 an hour.

On hearing the announcement, Mr Jay, who had predicted the BBC move, said he would step up his efforts to get permission to put TV-AM on the air earlier. With IBA approval the station could be broadcasting by this winter.

Mr Jay said of the BBC decision: "I predicted that they would do it, that they would do it well and that they would do it first. There is no other choice. I welcome their service because as a journalist I welcome the multiplicity of publications."

De Beers forced to cut dividend

BY KENNETH MARSTON, MINING EDITOR

DE BEERS, the international diamond producer headed by Mr Harry Oppenheimer, is cutting its dividend for the first time in 37 years. The 1981 payment by the South African group goes down to 50 cents (27.7p) compared with the record 75 cents paid in 1980.

Net profits of De Beers have fallen to R628.3m (£348m) from R818.2m in 1980, despite an increase in income from the gold mining investments.

Until recently a cut in the De Beers dividend was considered out of the question. But the severity of the decline in the world market for diamonds has forced the group to conserve its cash resources while it has to carry huge stocks of unsold rough (uncut) diamonds.

Via its central selling organisation—known in the trade as "The Syndicate"—De Beers handles the marketing of more than 80 per cent of the world's mine production of diamonds. It guarantees to buy a minimum quantity of the stones from the producers, whatever the state of the market.

Last year the organisation's sales of roughs to the diamond-cutting and marketing trade dropped by 46 per cent in value to $1.47bn (£811m). At the same time, the unsold stocks being carried by the Central Selling Organisation doubled to R1.4bn (£775m).

> In the wake of a continued fall in the gold price, the South African rand yesterday fell below parity with the U.S. dollar for the first time. The rand closed in Johannesburg at 99.21 U.S. cents, down from Monday's close of $1.01. The South African currency has slipped about 25 per cent against the dollar since January last year. Page 4.

The De Beers selling organisation has always staunchly refused to lower its selling prices and there is no indication that it is likely to abandon this policy. But the stockpiling has strained the De Beers cash resources forcing it to borrow R200m last year from the associated Anglo American Corporation.

The diamond market has suffered from previous overstocking at the cutting centres, high interest rates and the general world recession. The larger and more expensive gems, particularly those in the "investment" category, have been hit worse after earlier strong demand.

Such stones remain depressed. Sales of the cheaper rough stones have been picking up and the retail jewellery market has been well maintained. Overall, however, the world diamond trade remains depressed.

Bonn fears Saudi reaction to tank ban

BY JAMES BUCHAN IN BONN

ANXIETY is growing in the West German Government that the block on delivering the Leopard-II tank to Saudi Arabia could usher in a cold spell in Saudi-German relations.

There are also fears in Bonn that Saudi disappointment might hamper West German companies in competition for public sector contracts in Saudi Arabia's development effort. Until now these fears have largely been confined to the private sector.

Although a series of major government contracts helped West German exports to Saudi Arabia reach a record DM 6.2bn (£1.45bn) last year, with Saudi Arabia second only to Iraq as a German export market in Opec, Bonn is still heavily in deficit with its main oil supplier.

So far there has been no evidence of Saudi discrimination against West Germany, and a visit to Riyadh last month by Dr Horst Schulmann, state secretary of the Finance Ministry, secured a Saudi commitment to continue its direct credit line to West Germany, launched in 1980 with a deposit of DM 5.5bn.

Changes welcomed by industry

BY HAZEL DUFFY AND JOHN LLOYD

INDUSTRY broadly welcomed the Budget which the Chancellor of the Exchequer tilted deliberately in its direction. The Confederation of British Industry described it as being "in the right direction," while the Trades Union Congress, although hostile, was also relatively muted in its description of the Budget as "timid" and "a missed opportunity."

The CBI was particularly pleased that the Chancellor had heeded its plea for industry costs to be cut rather than favouring income-tax cuts as requested by the Institute of Directors.

Sir Terence Beckett, director-general of the CBI, said last night: "We have not got all we wanted but these are moves in the right direction. A 1 percentage point reduction in the National Insurance Surcharge recognises industry's problems."

The NIS cut — half of what the CBI has asked for — would reduce industry's costs by £640m in a full year.

The uncertainty over interest rate levels, which many businessmen regard as at least as important as NIS, led to a more cautious comment from the CBI.

"The tight borrowing stance is only justified if it enables us to get interest rates down this year. But with the measures outlined in this Budget, lower world oil prices and industry's improving competitiveness, business can now show the will to win."

Mr Alan Fisher, general secretary of the National Union of Public Employees and last year's TUC chairman, conceded that the Budget "may do something to help industry," but pointed to its failure to cut the VAT rate.

Mr Geoffrey Drain, general secretary of the National and Local Government Officers' Association, said it would not improve the living standards of those in work nor find jobs for those out of work.

Interest rates fall Continued from Page 1

tenders are due by Friday March 19, in the light of the Chancellor's proposals and series of relaxations.

The London stock market opened on a nervous note yesterday ahead of the Chancellor's statement. The FT Industrial Ordinary Index, formed of the share prive movements of 30 blue chip companies, was down five points at 10 am to 559.1 but it came off the bottom later closing 3.3 points down on the day at 560.8.

The feeling in the City last night was that the Budget was good for equities.

The details of the Budget affecting sentiment in UK equities predictably are the tax concessions, largely in the form of indexation of capital gains thresholds.

There had been some suggestion prior to the Budget that the big banks would cut their base rates late yesterday, but the banks were cautious ahead of last night's movements on Wall Street.

Sterling fell below $1.80 in London shortly after the Chancellor started his Budget statement but recovered later in the day closing at $1.8025—a fall of 2.25 cents on the day. However, its trade weighted index was unchanged on the day at 90.2.

Money market rates were marginally firmer. The seven-day interbank rate, a key influence on bank base rates, rose by ⅛ to 14⅛. three-month rate was also marginally firmer a 13⅞ per cent.

Budget aids industry Continued from Page 1

to those out of work and earnings of those who had jobs could be narrowed.

Somewhere in the gap . . . are rates of pay which those out of work would be glad to take. But convention and narrowness of vision prevent those bargains being struck," he said.

Meanwhile, he proposed that a new and "somewhat unorthodox" scheme be worked out for giving unemployed people the chance to work for a wage equivalent to the amount of benefit they were receiving plus out of pocket expenses.

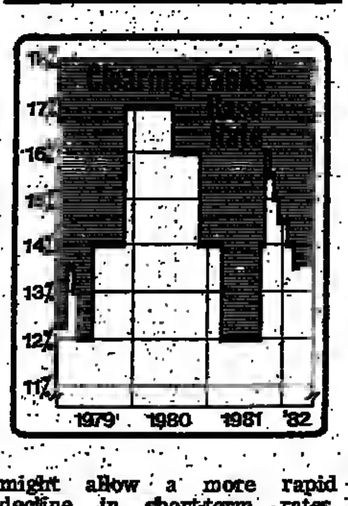
He suggested that non-profit-making schemes could be sponsored by local authorities and voluntary bodies at a net additional cost of some £150m for every 100,000 places.

"That would be excellent value for the taxpayers' money," he said.

THE LEX COLUMN

Indexed stocks come of age

Index fell 3.3 to 560.8



Aside from giving the City the borrowing figure it wanted, and sensibly refraining from bringing Space Invaders into the tax net, Sir Geoffrey Howe's fourth budget deserves to be remembered for its tax reforms. The exemption of inflationary gains from capital gains tax is immensely important for the securities markets—and an excellent example of the way in which legislation that is supposed to be administratively impossible can be forced through when a greater imperative arises.

The Treasury had to decide this year whether to let its index-linked experiment in the gilt-edged market wither, by continuing the artificial restriction to pension fund holders or to go for full availability. It has taken the brave decision, and the clear absurdity of charging capital gains tax on the indexed "profits" has forced the tax authorities to apply a similar exemption elsewhere.

The implication of the Treasury's plunge is that there will be plenty more index-linked gilt-edged stocks to allow a broad market to be developed. Taxed investors should therefore not rush to pay a scarcity premium for the four stocks in the market; on the other hand they will clearly be willing to accept lower real returns than the 3 per cent for which the pension funds have held out. The pension funds are likely to see a quick capital gain on their existing holdings, and then be less willing to buy the stocks in future.

There may be a general portfolio shuffle, with any adverse effect on equity prices from switches into the new stock being offset by pension funds going the other way. In general, the new capital tax exemptions should be favourable for equities, but the help to the corporate sector in the Budget is well discounted and the stability of the London equity market looks fragile at a time when equities are falling all over the world. The tax changes may be poor news for the life insurance industry: index-linked stock is strong competition for with-profits endowment.

The authorities clearly want to reinforce the impression that the conventional long-dated gilt-edged market will be only sparingly tapped. No tax concessions have been extended to the corporate bond market, but the promotion of lower long-term rates should encourage companies to bring out new issues eventually. The newly-freed index-linked stocks will be a highly attractive investment for Opec central banks, among others: any inflows into sterling (which was wobbly yesterday) might allow a more rapid decline in short-term rates. Yesterday's money market structure still suggested that base rates should fall by no more than half a point.

The £9½bn target for the public sector borrowing requirement is just what the markets were looking for. The calculation is plausible enough at first sight, although the very flat forecast for oil revenue makes it hard to see how a pre-election giveaway could be easily arranged in 1983.

The weakling, though, comes with the monetary target. Not content with building in a 6¼ point overshoot on the midpoint of this year's sterling M3 range, next year's target has been shoved up by 3 points over last year's Budget forecast. It is difficult to know whether this is laudable realism or straight monetary laxity. The February banking figures published yesterday, though superficially impressive, disguise continuing rapid growth in bank lending. From an international viewpoint, the Bank of England's targets look very slack beside the Federation's.

The conspicuous exception to the comfort bestowed on business by the Chancellor was the banking sector—which received not one but two verbal cuffs in the name of fiscal equity. Legislation was announced to clean up two games that banks have been playing with too much enthusiasm — so-called "double dip" leasing finance to fund projects abroad, and the use of double tax treaty "tax sparing" provisions to lend abroad at interest rates subsidised by the British taxpayer.

Curbing the second activity may not hurt the banks much. But international leasing soared to £572m last year and was the only way lessors were able to keep business growing. Without this outlet, leasing volume may well fall, and banks will no longer have such a ready shelter for their tax liabilities.

Since the Chancellor warned that forbearance might cease to be a virtue unless the banks started to pay more realistic taxes, a wholehearted acceptance of the loss of shelter might seem appropriate. The implicit threat is not merely a second application of the windfall profits tax. The Chancellor has deferred the proposed international avoidance legislation; if the banks continue their unrestrained search for tax shelters, however, the chances of the Inland Revenue securing the wide powers it wants will be strengthened.

This lesson has wider application. The new emphasis on fiscal equity suggests that it would be unwise for any profitable sector to try to use the small print of legislation to cut its tax bills. It is a lesson the North Sea oil industry seems to have taken to heart, and its proposals to spread the incidence of a high level of taxation more fairly have been taken on board in the Budget. There has even been a tiny reduction in the top marginal rate.

De Beers

There are few dividends more sacred that those of De Beers—so yesterday's cut, the first since 1944, sent shock waves rippling through the mining industry. The shares collapsed 48p to close at 244p. Since the beginning of the year, the market capitalisation of the most successful cartel in the world has fallen by a third.

There were sound economic reasons for halving the final payment to 25 cents. Diamond stocks have doubled to R1.4bn i nthe past year, and the cost of financing them could have eliminated De Beers' 1980 cash pile of R776m but for a R200m loan from Anglo-American. Income from the diamond account has fallen 55 per cent to R360.3m and the position would look much worse in dollar terms.

But that is not the whole story. De Beers could have paid a maintained dividend almost out of non-diamond income alone, and it would have been covered 2.3 times by total group earnings. The Oppenheimer empire is undergoing a severe deflation affecting gold and base metals, as well as diamonds. The heavy gearing effect of weaker prices on the holding companies has made cash conservation imperative. The market got the message loud and clear, marking the FT Gold Mines Index down 6.8 to 209.2 despite the slightly firmer bullion price.

Weather

UK TODAY

CLOUDY WITH outbreaks of rain, but with brighter, cooler weather spreading from the North-West and strong winds.

London, S.E. England, E. Anglia
Cloudy with occasional rain clearing and moderate or fresh winds. Max 9C (48F).

The Midlands, S. England, Channel Isles, N. England.
Outbreaks of rain, becoming brighter with clear intervals. Fresh winds. Max 9C (48F).

Wales, S.W. England, N.W. England
Rainy, becoming brighter with showers. Strong winds. Max 10G (59F).

Lakes, Borders, S. Scotland, Ulster
Rainy becoming brighter from the West with showers, wintry on hills and local gales. Max SC (46F).

Highlands and N. Scotland
Cloudy and wet becoming brighter with strong winds. Max 7C (45F).

Outlook: Windy, wet and cold.

WORLDWIDB

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	L. Ang.†		—	—
Algiers	F	15	59	Luxmbg.	F	8	43
Amsdm.	F	7	45	Luxor	S	23	73
Athens	F	10	50	Madrid	S	11	52
Bahrain		—	—	Majorca	F	14	57
Barcina.	F	13	55	Malaga	S	18	61
Beirut	R	16	61	Malta	C	16	61
Belfast	R	6	43	Mchstr.	F	7	45
Belgrd.	S	8	46	Melbne.		—	—
Berlin	C	9	48	Mx. C.†		—	—
Biarritz	F	11	52	Milan	F	8	48
Bmghm.	C	7	45	Milan	F	9	46
Blackp'l	R	7	45	Montr'l†	F	−13	8
Bordx.	C	10	50	Moscow	C	−1	30
Boulgn.	F	6	43	Munich	S	6	46
Bristol	C	9	48	Nairobi	F	29	84
Brussels	C	5	41	Naples	C	12	54
Budpst.	S	7	45	Nassau		—	—
Cairo	F	20	68	Nwcstl.	F	6	43
Cardiff	C	8	46	N York†		—	—
Casbca.	F	17	63	Nice	S	12	54
Cape T.	F	32	90	Nicosia	F	15	59
Chicg.†	F	−13	9	Oporto	F	12	54
Cologne	R	3	37	Oslo	C	−1	30
Cpnhgn.	S	4	39	Paris	C	4	39
Corfu	S	15	59	Perth	S	24	75
Denver†	F	4	39	Prague	S	8	43
Dublin	R	9	48	Rykjvk.	Sn	−1	30
Dbrvnk.	C	12	54	Rhodes	S	12	54
Ednbgh.	C	5	41	Rio J'o†		—	—
Faro	F	16	61	Rome	F	13	55
Florence	F	14	57	Salzb'rg	S	9	48
Frankf't	F	5	41	S'cisco†	C	11	52
Funchal	C	15	59	S. M'ritz		—	—
Geneva	S	10	50	Singapr.	F	31	88
Gibrltr.	F	16	61	S'tiago†		—	—
Glasg'w	C	5	41	Stckhm.	S	5	41
G'msey	F	8	46	Strasb'g	S	10	50
Helsinki	S	−3	27	Sydney		—	—
H. Kong	C	15	59	Tangier		—	—
Innsbr'k	S	10	50	Tel Aviv	C	16	61
Invrnss.	F	8	43	Tenerife	F	19	66
I.o.Man	R	7	45	Tokyo	S	12	54
Istanbul	F	4	39	Trnto.†	Sn	−5	23
Jersey	F	8	46	Tunis	C	13	55
Jo'burg	S	22	72	Valencia	F	13	55
L. Plms.	F	17	63	Venice	S	9	48
Lisbon	F	13	55	Vienna	S	7	45
Locarno	C	7	45	Warsaw	S	7	45
London	S	9	48	Zurich	S	7	45

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. † Noon GMT temperatures.

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